2006

JOINT APPROPRIATIONS – HEALTH & HUMAN SERVICES

COMMITTEE MINUTES

SENATE APPROPRIATIONS COMMITTEE ON HEALTH & HUMAN SERVICES
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Senator Harris Blake
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Senator Don East
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Senator John H. Kerr
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AGENDA

Senate Appropriations Committee on Health and Human Services
House Appropriations Subcommittee on Health and Human Services

Legislative Office Building – Room 643
Thursday, April 27, 2006

9:00 AM

Committee Chairmen		*Senator William Purcell, Co-Chair* *Senator Vernon Malone, Co-Chair* *Representative Verla Insko, Co-Chair* *Representative Jeff Barnhart, Co-Chair*
I.	Opening Remarks	*Committee Chairmen*
II.	Introduction of New HHS Team Members	*Carol Shaw*
III.	Review of Department of Health and Human Services Budget Summary	*Andrea Russo*
IV.	Department of Health and Human Services Short Session Issues	*HHS Team*
V.	Department of Health and Human Services Short Session Issues	*Secretary Carmen Hooker-Odum*
VI.	Block Grant Plans	*DHHS Staff*

Division of Social Services

Temporary Assistance for Needy Families Block Grant

Social Services Block Grant

Low Income Home Energy Assistance Block Grant

Sherry Bradsher, Director

Division of Child Development

Child Care Development Fund Block Grant

Rob Kindsvatter, Acting Director

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

Mental Health Block Grant

Bonnie Morrell, Best Practice Team Leader, Community Policy Management Section

Substance Abuse Prevention and Treatment Block Grant

Flo Stein, Chief, Community Policy Management Section

Division of Public Health

Maternal and Child Health Block Grant

Dr. Kevin Ryan, Section Chief, Women and Children's Health Section

Preventive Health Block Grant

Dr. Marcus Plescia, Section Chief, Chronic Disease and Injury Prevention Section

Office of Economic Opportunity

Community Services Block Grant

Lawrence Wilson, Director

VII. Committee Discussion

JOINT APPROPRIATIONS SUBCOMMITTEE ON HEALTH AND HUMAN SERVICES

Thursday, April 27, 2006
9:00 A.M.
Room 643, Legislative Office Building

The Joint Appropriations Subcommittee on Health and Human Services met at 9:00 A.M. in Room 643 of the Legislative Office Building. Senate members present were: Co-Chair William R. Purcell, Co-Chair Vernon Malone, and Senators Berger, Blake, and East. Representatives present were Co-Chair Verla Insko, and Representatives Farmer-Butterfield, Allen, England, and Hollo.

Senator Purcell and Co-Chair Insko welcomed the committee members and those attending the meeting. He said that an overview of what lies ahead of the committee would be presented and that no action would be taken at today's meeting. He called on Carol Shaw to introduce her Research Staff team members (Attachment I).

After a review of the budget passed in the 2005 session presented by Ms. Andrea Russo, Representative Insko asked for a summary resulting from the 2005 appropriations as well as some of the increases. Ms. Shaw began the presentation of the Department of Health and Human Services Short Session Issues (Attachment II). Representative Farmer-Butterfield asked for a list of the 100 North Carolina counties targeted for Medicaid relief (Attachment III). In response to a question by Senator Berger, Ms. Hoffman said that the $2M appropriated last year for the Governor's Vision Care Program has not been spent because of a preliminary injunction issued by a State Superior Court Judge until July 1, 2007. Senator Berger asked if the $2M for the Community Health Centers has been appropriated, and what the average grant has been. Ms. Hoffman replied that the money has been appropriated and that she would provide that information later.

Ms. Shaw and her staff outlined the Budget Summary (Attachment IV). Representative Insko asked for a list of people receiving developmental therapies, how the Department reached the $40M amount, and whether this should be a designated item. Regarding child care subsidy, she also asked the amount needed to cover the children currently on the waiting list and those currently covered with non-recurring dollars.

Secretary Carmen Hooker-Odom outlined needs and plans within the Department of Health and Human Resources. The Department's three main priorities, in order, for the 2006 Short Session are: mental health reform, at-risk children (including increasing the school nurse ratio), and workforce and family support issues.

In response to an inquiry from Senator Blake, the Secretary pointed out that the mental health program has been undergoing major changes, especially involving the LMEs, and that about 65 percent of funding for developmental disabilities comes from the federal government along with certain requirements.

Ms. Sherry Bradsher spoke for the Division of Social Services Block Grants (Attachment V, pages 1-27). She outlined anticipated changes in federal requirements as of June 30, 2006. The biggest anticipated change is in the work participation rate. Under Local Program Expenditures, she listed three major areas of concern in addition to the Work First programs: County Demonstration Grants, Family and Children's Mental Health, and Housing (nos. 3, 11, and 13). Ms. Bradsher continued on with the TANF Block Grant Management Plan and the Low Income and Housing and Energy Assistance Program Block Grant.

Mr. Rob Kindsvatter, Acting Director for the Division of Child Development, presented the Child Care and Development Fund Management Plan (Attachment V, pages 28-35).

Ms. Bonnie Morrell, Division of Mental Health, Developmental Disabilities and Substance Abuse gave an overview of the Mental Health Block Grant Management Plan (Attachment V, pages 36-41). Ms. Flo Stein continued with an overview of the Substance Abuse Prevention and Treatment Performance Partnership Block Grant Management Plan (Attachment V, pages 42-47). Representative Allen asked if there has been a decrease in HIV cases in North Carolina. Ms. Stein responded that there has been an increase. He asked that a breakdown by county, race and gender be provided.

Allen Hoff, Chief Budget Office for the Department of Mental Health, spoke on the Maternal and Child Health Block Grant Management Plan, and the Preventive Health and Health Services Block Grant (Attachment V, pages 48-62). Representative Farmer-Butterfield asked about funding not being provided for the Office of Minority Health. Dr Kevin Ryan responded that the funding for maternal and child health block grant in the Office of Minority Health is intended to be ongoing.

Mr. Ryan Smith gave an overview of the Community Grant Management Plan (Attachment V, pages 63-68).

There being no further questions from the committee members, Senator Purcell adjourned the meeting at 11:27 A.M .

William R Purcell
Senator William R. Purcell, M.D., Chair

Lorraine R. Blake
Lorraine R. Blake, Committee Clerk

Attachment I

Draft HHS Team Areas of Responsibilities

Division of Medical Assistance **Carol Shaw (Lead Analyst) and Jennifer Hoffmann**

Aged, Blind, and Disabled Medicaid **Carol Shaw**

Eligibility Groups
Aged
Blind
Disabled
Dual Eligibles (Medicare/Medicaid)
Medically Needy Aged, Blind and Disabled

Services
CAP-DA
CAP-MR/DD
Hospitals
Podiatry
Chiropractic Services
Pharmacy
Mental Health/Behavioral Health
Adult Care Homes
Nursing Facilities
ICF-MRs
Personal Care Services
Home Health Services
Hospice
Private Duty Nursing

Other
DSH
Provider Taxes
Physicians
Medicare Issues
Medicare Part D Clawback
Transfer of Assets Issues
Medicaid Federal Issues
MMIS (Karlynn O'Shaughnessy will be lead)

Children and Families Medicaid **Jennifer Hoffmann**

Eligibility Groups
Medically Indigent Children
Foster and Adoptive Children under Title IV-E
Children age 19 and 20
Pregnant women and Infants
Families with children under the age of 19 who would have been eligible for AFDC in July, 1995
NC Health Children covered through Medicaid
Breast and Cervical Cancer
Medically needy children and families

Draft HHS Team Areas of Responsibilities

Services
CAP-C
CAP-AIDS
Family Planning Waiver
Family Planning
NC Health Check/EPSDT
Physicians
Public Health Departments
Dental
Early Intervention
LEA services
Targeted Case Management
Durable Medical Equipment
Hearing Aids
Prosthetics and Orthotics
Laboratory Services
Eye Care Services (Optical and Optometrists)
Clinics (Federally Qualified, Rural Health Centers, and Migrant Health Centers)
Specialized Therapies (Occupational, Physical, Respiratory, Speech, and Hearing)

Other
Program Integrity Section
Managed Care/Community Care of NC
NC Health Choice Managed by SEHP
SCHIP Federal Legislation
County Share

Division of Social Services — Natalie Towns (Lead Analyst) and Carol Shaw

Child Welfare/Administration — **Natalie Towns**
Child Support Services
Child Protective Services
Child Placement Services
Foster Care
NC LINKS
Interstate Services
Adoption Services
Licensing Services
Challenge for Children
Community Child Protection Teams
Multiple Response System
Child and Family Teams
Family Preservation and Support Services
Social Services Block Grant
Federal Child Welfare and Child Support Policy
State Level Administration
County Administration
Social Services Commission

Draft HHS Team Areas of Responsibilities

Income Maintenance Programs — **Carol Shaw**
Work First
Food Stamp Program/EBT
Crisis Intervention Program
Low Income Energy Assistance
LIHEAP Block Grant
Refugee Public Assistance
TANF Block Grant
Federal Welfare Policy
NC FAST (Karlynn O'Shaughnessy will be lead)
Program Integrity

Division of Public Health — Jennifer Hoffmann (Lead Analyst) and Andrea Russo

Women's and Children's Health Section — **Jennifer Hoffmann**
Children and Youth Branch
Immunization Branch
Nutrition Services Branch
Women's Health Branch
Early Intervention "Together We Grow" Branch
School Health Infrastructure /Healthy Schools
Maternal and Child Health Block Grant

Oral Health Section — **Jennifer Hoffmann**

Chronic Disease and Injury Section — **Jennifer Hoffmann**
State Center for Health Statistics
Cancer Prevention and Control Branch
Diabetes Branch
Forensic Tests for Alcohol
Heart Disease and Stroke Prevention Branch
Injury and Violence Prevention Branch
Older Adult Branch
Physical Activity and Nutrition Branch
Tobacco Prevention and Control Branch
Preventative Health Services Block Grant

Office of Minority Health & Health Disparities — **Jennifer Hoffmann**

Administrative, Local, & Community Section — **Jennifer Hoffmann**
Local Health Services

Vital Records Unit — **Andrea Russo**

Office of Legal and Regulatory Affairs — **Andrea Russo**
Office of Chief Medical Examiner

Epidemiology Section — **Andrea Russo**

Draft HHS Team Areas of Responsibilities

General Communicable Disease Control Branch
Prevention, Epidemiologic Investigation, and Surveillance Branch
Public Health Preparedness and Response Branch
HIV/STD Prevention and Care Branch
Prevention and Community Planning Unit
Epidemiology and Special Studies Unit
Occupational and Environmental Epidemiology Branch
State Lab of Public Health

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

Andrea Russo (Lead Analyst) and Jennifer Hoffmann

Community-Based Service Delivery System — **Andrea Russo**
Mental Health System Reform
Local Management Entities/Area Programs
Advocacy and Customer Services
Justice System
Mental Health Treatment courts
Substance Abuse Services
Adult Mental Health Services
Developmental Disabilities Services
Clinical Policy

Child Mental Health — **Andrea Russo**
Residential Treatment Services (Non-State Operated)
System of Care
Child and Family Teams
Comprehensive Treatment Services for Children
NC State Collaborative for Children and Families
Clinical Policy

Block Grants — **Andrea Russo**
Mental Health Block Grant
Substance Abuse Prevention and Treatment Block Grant

Institutional/State Operated Services — **Jennifer Hoffmann**
Psychiatric Hospitals
Developmental Disabilities Centers
Alcohol and Drug Treatment Centers
NC Special Care Center
Residential Treatment Centers for Children (State Operated)
CAP-MR/DD (Carol Shaw will be lead)
Advocacy and Customer Services
Clinical Policy

Draft HHS Team Areas of Responsibilities

Division of Aging and Adult Services	**Carol Shaw, Andrea Russo (Back-Up)**
Home and Community Block Grant	
Area Agencies on Aging	
State/County Special Assistance	
Senior Centers	
Adult Protective Services	
Adult Day Care/Adult Day Health Care	
Division of Child Development	**Natalie Towns, Carol Shaw (Back-Up)**
Child Care Subsidy	
Child Care Licensure	
Criminal Record Checks	
Child Care Commission	
Smart Start	
More At Four	
Division of Facility Services	**Andrea Russo, Jennifer Hoffmann (Back-Up)**
Medical Care Commission	
Health Care Facilities Licensure and Regulation	
Certificate of Need	
Office of Educational Services	**Natalie Towns, Jennifer Hoffmann (Back-Up)**
Governor Morehead School	
Schools for the Deaf	
Preschool Services	

Office of the Secretary	**HHS Team**
Department Administration	Carol Shaw, Natalie Towns (Back-Up)
Office of Rural Health	Jennifer Hoffmann, Andrea Russo (Back-Up)
Office of Economic Opportunity	Andrea Russo, Natalie Towns (Back-Up)
Community Services Block Grant	Andrea Russo, Natalie Towns (Back-Up)
Health and Wellness Trust Fund	Jennifer Hoffmann, Andrea Russo (Back-Up)
Information Resource Management/IT Projects	Carol Shaw, Jennifer Hoffmann and Karlynn O'Shaughnessy (Back-Up)
Division of Vocational Rehabilitation Services	**Andrea Russo, Carol Shaw (Back-Up)**
Independent Living Rehabilitation Program	
Division of Services for the Blind	**Natalie Towns, Carol Shaw (Back-Up)**
Division of Services for the Deaf & Hard of Hearing	**Carol Shaw, Natalie Towns (Back-Up)**

Attachment II

Department of Health and Human Services
Short Session Issues

Division of Medical Assistance

- **Revised Medicaid Forecast for FY 2006-07** – The Medicaid forecast for FY 2006-07 will be revised by the Department of Health and Human Services based on actual expenditures for FY 2005-06. The new forecast may reduce the budget for the Medicaid Program for FY 2006-07 because Medicaid Program expenditures for FY 2005-06 are less than the enacted budget.

- **Medicare Part D Clawback for FY 2006-07** – The new Medicare Part D Program which provides prescription drug coverage for Medicare recipients began January 1, 2006. Medicare Part D is available for all Medicare recipients including persons eligible for both Medicare and Medicaid – commonly called dual eligibles. Previously, the NC Medicaid programs paid for outpatient prescription drug coverage for dual eligibles. Effective January 1, 2006, the NC Medicaid program cannot request federal matching funds for outpatient prescription drug claims because the Medicare Part D Program began paying for these benefits. In expectation that states would enjoy a fiscal windfall from the federal government's assumption of shared Medicaid costs for prescription drugs, the Medicare Modernization Act requires a state payment to the federal government to support the Medicare Part D program cost for the dually eligible population. This payment to federal government is called the phased down state contribution by the federal government, but it is popularly known as the "clawback".

  During the 2005 Session, the Medicaid budget was reduced by $11 million for FY 2005-06 and $22 million for FY 2006-07 in anticipation that NC's clawback payment would be less than the cost of providing prescription drugs to dual eligibles. Since January 2006, Medicaid expenditures for prescription drugs have declined significantly; and the reduction in prescription drug spending is the main reason that Medicaid expenditures for FY 2005-06 are less than originally budgeted. Savings related to Medicare Part D for FY 2006-07 may be $62 million higher than the $22 million reduction taken during the 2005 Session,

- **Medicaid Reserve Fund Transfer for FY 2006-07** – The enacted budget for FY 2006-07 assumes a $50 million transfer from the Medicaid Reserve Fund. At this time, CMS has approved a new DSH program for one year ending September 30, 2006. The new program is expected to generate the same amount of funds as the previous program, but it will end September 30, 2006 and we do not know whether it will be extended or changed such that there will be less money flowing to the Medicaid Reserve Fund. Worse case scenario is that the transfer will be short $25 to $30 million for FY 2006-07.

- **MMIS System** – Completion of the Medicaid Management Information System (MMIS) or the new claims processing system for the Medicaid Program continues to be delayed. Delays may affect implementation of the Ticket to Work Program because its enacted implementation date is January 1, 2007 or within 30 days of the MMIS system becomes operational. In addition, the delays will increase the cost of implementing the new system.

Department of Health and Human Services
Short Session Issues

- **Big Medicaid Special Provision** – Legislative staff, with input from the Division of Medical Assistance and the Office of State Budget and Management, has rewritten the Big Medicaid special provision to make it easier to follow. The Big Medicaid special provision authorizes the services provided under the Medicaid Program and how service providers will be paid, the eligibility of who can receive services under Medicaid, and other policies relating to how the Medicaid Program is funded and operated. The special provision has been around over 25 years, and it has been modified so many times over the years that is has become difficult to follow and understand. The proposed new version reorganizes the provision, but does not change any requirements. Legislative staff is still reviewing the proposed draft at this time, but we do expect to present the proposed draft during the Short Session.

- **Medicaid County Share** -- The House Select Committee on Health Care recommends that the State provide some financial assistance to all 100 counties to reduce their Medicaid expenditures beginning in FY 2006-07. The initial $65 million needed to support the recommendation would come from savings the State is realizing from the Medicare Part D program. In future years, additional General Fund appropriations would be needed to support the recommendation.

  The specific recommendation includes two parts: 1) $30.4 million to cap the county share of Medicaid expenditures at the 2005-06 fiscal year level, and 2) $34.6 million to target additional reductions based on the percentage of Medicaid eligible individuals in a county's population. The targeted funds would be distributed as follows:

  - 20 counties with Medicaid eligible populations of 25% and higher share 40% of the targeted funds,
  - 65 counties with Medicaid eligible populations between 15% and 25% share 55% of the targeted funds,
  - 15 remaining counties share 5% of the targeted funds.

Division of Public Health

- **Time-Limited School Nurse Positions** – During the 2004 legislative session, the General Assembly appropriated a total of $6.5 million in Maternal and Child Health Block Grant funds for 65 time-limited school nurses. Funding for these 65 positions will no longer be available at the end of this fiscal year. An additional $3,250,000 in recurring funds are needed to maintain these positions ($50,000 x 65 positions = $3,250,000).

- **Early Intervention Services** – In the current and previous fiscal year, the Early Intervention (EI) Program has seen an almost four-fold increase in the number of infants and toddlers being referred for evaluation, from 4,719 referrals in FY 2004 to 17,263 referrals in FY 2005. The EI Program estimates that it will receive 17,000 referrals by the end of this fiscal year as well. At this time the program anticipates no reduction in referrals in future years. To manage the increase in referrals, the Program has proposed more restrictive eligibility criteria that have been approved and will take effect July 1, 2006.

Department of Health and Human Services
Short Session Issues

During the 2005 Session, the General Assembly appropriated $5 million for Early Intervention services, but with the increase in referrals, this amount has not been sufficient to continue providing services at previous levels. In response to a question raised by Fiscal Research, the Division estimates that it would cost an additional $20.5 million in recurring appropriations to "fully fund" early intervention services.

The current authorized budget for the Early Intervention Program is $71.4 million, of which $35.2 million is supported with General Fund appropriations.

- **Governor's Vision Care Program** – During the 2005 legislative session, the General Assembly appropriated $2 million in recurring funds to support the Governor's Vision Care Program. Specifically, these funds were to reimburse providers for comprehensive eye examinations for qualified children enrolling in public school for kindergarten. To date, none of these funds have been spent due to a preliminary injunction issued by a State Superior Court Judge. The Consent Order prohibits the State from implementing the eye exams until July 1, 2007 and delays any further court proceedings until October of this year.

- **NC Child Fatality Task Force Recommendations** – The Task Force recommends a total $815,000 for the following items in the Health and Human Services area:
  - $90,000 for a permanent position in the Division of Public Health to support the implementation of recommendations put forth by the NC Institute of Medicine Task Force on Child Abuse Prevention.
  - $400,000 in recurring funds to the Healthy Beginnings Minority Infant Mortality Reduction Projects.
  - $150,000 in non-recurring funds to provide minority and low income women at risk for delivering a premature infant with a preventative treatment to reduce the risk of a recurring preterm birth.
  - $75,000 in recurring funds to form a medical/professional collaborative charged with addressing infant deaths that occur due to birth defects, prematurity and other birth related incidents.
  - $100,000 in recurring funds to address deaths due to suffocation/strangulation and Sudden Infant Death Syndrome (SIDS).

- **Community Health Center Grants** - The House Select Committee on Health Care recommends an additional $15 million in recurring funds for Community Health Center Grants to assist in the provision of primary and preventive medical services to uninsured or medically indigent populations. These funds would be appropriated to the Office of Research, Demonstrations, and Rural Health Development.

  Related Appropriations:
  - In 2004, the General Assembly appropriated $7 million in non-recurring funds for the Community Health Center Grants.
  - In 2005, the General Assembly appropriated $2 million in recurring funds for the Community Health Center Grants.

Department of Health and Human Services
Short Session Issues

- **Joint Study Committee on Emergency Preparedness and Disaster Management Recovery** – The Subcommittee on Public Health and Bioterrorism is working on a number of proposals totaling $126 million. The subcommittee is considering items in the Division of Public Health, including antiviral medication stockpile and design and construction of a new laboratory combining the state public health laboratory and the Medical Examiner's Office.

Division of Facility Services

- **Aging Commission** – The Aging Commission has approved recommendation funding the Division of Facility Services. The Commission recommended that the General Assembly enact legislation and appropriate funding for staff support to expand the Health Care Personnel Registry to include unlicensed staff that have access to residents or clients and/or their property and to expand the definition of health care facility for this section of the statute to include all MH/DD/SAS day treatment programs. This proposal includes $1.7 million for 18 investigator positions, 3 regional supervisor/investigator positions, and 6 administrative support positions. This proposal includes the staff needed to implement the above changes as well as staff to address staff shortages cited by the Division.

- **Licensure and Construction Fees** – The Division has a number of issues that may come up about licensure and construction fees including potential shortfalls and a technical correction to the statute.

- **Joint Study Committee on Emergency Preparedness and Disaster Management Recovery** – The Subcommittee on Public Health and Bioterrorism is considering a recommendation funding the Division's Office of Emergency Medical Services to fund continued operations of the eight existing Regional Advisory Committees operating across the state.

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

- **Mental Health LOC** – The LOC is working on a number of proposals totaling $155 million. Areas under consideration include: increased service dollars for mental health and substance abuse services, funding to pay for developmental therapies for the developmentally disabled, increased flexibility for LMEs in spending state services funding, funding for independent and supportive apartments, funding for the Mental Health Trust Fund, funding for crisis services, funding for psychiatric services, consultants to aid the Division and the LMEs, and LME administrative functions. The LOC will be meeting April 27th, 2006 at 1:30 p.m. to discuss these proposals.

Division of Child Development

- **Child Care Subsidy** – $401 million was allocated for child care subsidy for FY 2005-06. The average number of children served monthly by subsidized child care services during FY 2004-05 was 95,708. As of February 2006, there were 93,018 children served by child care subsidy while 32,420 children were on child care waiting lists. There continues to be a need for recurring funding for child care subsidy to address the long waiting lists. The average annual cost to fully support one child care subsidy slot is $4,100. For each additional thousand child care slots funded, it will require $4.1 million in additional state appropriations.

Department of Health and Human Services
Short Session Issues

Division of Social Services

- **Foster Care and Adoption Funding** – At DHHS's request, $8.6 million of nonrecurring TANF Block Grant money was used to support a shortfall in funding for foster care and adoption funding for FY 2005-06. This shortfall will need to be addressed again in FY 2006-07.

- **Child Support Enforcement** – The amount of receipts that the Division acquires from child support payments has steadily decreased as the number of TANF child support cases have declined. Permanent funding for the receipt shortfall has not been provided, and the Department of Health and Human Services has been forced to cover the shortfall with its existing budget. Combined with the reductions in child support enforcement funding in the federal Deficit Reduction Act of 2005, the shortfall will become more substantial in FY 2006-07.

- **NC FAST** – Families Accessing Services through Technology (NC FAST) is a program designed to improve the way the NC Department of Health and Human Services and county Departments of Social Services do business. The Department of Health and Human Services is the process of developing new technological tools and business processes that will enable workers in county departments of social services to spend less time on administrative tasks and more time assisting families. Completion of the NC FAST system continues to be delayed. $6 million was appropriated for FY 2006-07 to complete the system and delays may reduce the amount of money needed during the next fiscal year.

Division of Aging and Adult Services

- **Aging Commission** – The Aging Commission has approved several appropriations recommendations for the Division of Adult and Aging Services.

  - $1,043,759 to increase the adult day care and adult day health care reimbursement rates by $5 per day
  - $492,136 to fund 10 additional positions in the Division of Aging and Adult Services for Long-Term Care Ombudsman
  - $5 million to increase funding for the Home and Community Care Block Grant
  - $10 million for the Housing Trust Fund

North Carolina Association of County Commissioners
Medicaid Relief Proposal to Medicaid Subcommittee

2006-07 Total Relief = 65,000,000

	Background				NCACC Cap & Targeted Relief					
						Cap	Targeted Relief Allocated as Follows:			
County	3 year avg Medicaid Eligibles per Pop.	Estimated 2005-06 County Medicaid Share	2006-07 County Medicaid Share	Difference	Total Relief	Relief from Cap at 2005-06 Costs	40% of Pool if >25%	55% of Pool if >15%	5% of Pool if <15%	Percent Relief from Target
Alamance	15.3%	6,766,024	7,244,010	477,987	911,958	478,000	-	433,958	-	6%
Alexander	16.2%	1,816,110	1,920,740	104,630	220,063	105,000	-	115,063	-	6%
Alleghany	19.0%	892,549	916,376	23,828	78,896	24,000	-	54,896	-	6%
Anson	26.8%	2,355,218	2,558,003	202,785	669,164	203,000	466,164	-	-	18%
Ashe	19.7%	1,925,274	2,030,353	105,079	226,630	105,000	-	121,630	-	6%
Avery	17.5%	1,226,449	1,211,096	(15,353)	72,552	-	-	72,552	-	6%
Beaufort	23.8%	3,763,715	4,058,687	294,972	538,139	295,000	-	243,139	-	6%
Bertie	33.1%	2,353,678	2,570,753	217,075	685,488	217,000	468,488	-	-	18%
Bladen	30.7%	3,298,818	3,352,297	53,479	663,914	53,000	610,914	-	-	18%
Brunswick	19.5%	4,786,930	5,011,908	224,977	525,242	225,000	-	300,242	-	6%
Buncombe	16.7%	12,488,552	13,721,048	1,232,496	2,053,970	1,232,000	-	821,970	-	6%
Burke	17.9%	5,552,515	5,792,417	239,902	586,999	240,000	-	346,999	-	6%
Cabarrus	14.2%	6,392,539	6,074,972	(317,567)	111,657	-	-	-	111,657	2%
Caldwell	18.2%	4,867,078	5,227,880	360,802	674,180	361,000	-	313,180	-	6%
Camden	13.5%	325,122	418,732	93,610	101,696	94,000	-	-	7,696	2%
Carteret	15.1%	3,074,471	3,195,319	120,848	312,418	121,000	-	191,418	-	6%
Caswell	19.7%	1,682,635	1,813,882	131,247	239,662	131,000	-	108,662	-	6%
Catawba	15.7%	6,938,591	7,510,100	571,509	1,021,898	572,000	-	449,898	-	6%
Chatham	12.9%	2,200,212	2,488,216	288,004	333,733	288,000	-	-	45,733	2%
Cherokee	22.5%	2,454,549	2,290,300	(164,250)	137,202	-	-	137,202	-	6%
Chowan	25.1%	1,179,489	1,241,398	61,909	288,229	62,000	226,229	-	-	18%
Clay	19.2%	675,756	699,355	23,599	65,895	24,000	-	41,895	-	6%
Cleveland	21.8%	7,434,147	8,332,016	897,870	1,397,136	898,000	-	499,136	-	6%
Columbus	31.7%	5,800,447	6,337,672	537,225	1,691,962	537,000	1,154,962	-	-	18%
Craven	17.7%	5,358,740	5,385,057	26,318	348,596	26,000	-	322,596	-	6%
Cumberland	17.8%	13,746,682	14,879,591	1,132,909	2,024,374	1,133,000	-	891,374	-	6%
Currituck	13.3%	865,260	832,017	(33,243)	15,292	-	-	-	15,292	2%
Dare	10.2%	1,218,282	1,202,041	(16,241)	22,093	-	-	-	22,093	2%
Davidson	15.9%	7,606,930	7,371,303	(235,627)	441,584	-	-	441,584	-	6%
Davie	12.6%	1,533,452	1,696,072	162,620	194,173	163,000	-	-	31,173	2%
Duplin	24.2%	3,660,808	4,650,393	989,585	1,268,585	990,000	-	278,585	-	6%
Durham	15.4%	11,839,064	12,788,006	948,942	1,715,076	949,000	-	766,076	-	6%
Edgecombe	32.3%	5,097,578	5,225,316	127,737	1,080,249	128,000	952,249	-	-	18%
Forsyth	15.1%	14,882,630	16,067,504	1,184,874	2,147,536	1,185,000	-	962,536	-	6%

Attachment III

North Carolina Association of County Commissioners
Medicaid Relief Proposal to Medicaid Subcommittee

2006-07 Total Relief = 65,000,000

	Background				NCACC Cap & Targeted Relief					
						Cap	Targeted Relief Allocated as Follows:			
County	3 year avg Medicaid Eligibles per Pop.	Estimated 2005-06 County Medicaid Share	2006-07 County Medicaid Share	Difference	Total Relief	Relief from Cap at 2005-06 Costs	40% of Pool if >25%	55% of Pool if >15%	5% of Pool if <15%	Percent Relief from Target
Franklin	19.5%	3,054,552	3,482,846	428,294	636,643	428,000	-	208,643	-	6%
Gaston	19.2%	14,624,760	14,968,934	344,175	1,240,726	344,000	-	896,726	-	6%
Gates	17.9%	620,476	762,244	141,768	187,663	142,000	-	45,663	-	6%
Graham	27.7%	878,888	964,374	85,487	260,745	85,000	175,745	-	-	18%
Granville	16.1%	2,605,228	2,951,783	346,555	523,829	347,000	-	176,829	-	6%
Greene	23.3%	1,276,404	1,449,133	172,728	259,811	173,000	-	86,811	-	6%
Guilford	15.5%	19,666,079	20,512,095	846,016	2,074,793	846,000	-	1,228,793	-	6%
Halifax	33.3%	5,654,438	5,806,036	151,598	1,210,078	152,000	1,058,078	-	-	18%
Harnett	20.2%	5,405,244	5,639,457	234,213	571,836	234,000	-	337,836	-	6%
Haywood	19.0%	3,530,087	3,788,218	258,132	484,936	258,000	-	226,936	-	6%
Henderson	15.4%	5,286,190	5,467,024	180,835	508,506	181,000	-	327,506	-	6%
Hertford	31.7%	2,434,249	2,514,693	80,444	538,272	80,000	458,272	-	-	18%
Hoke	23.2%	2,239,761	2,454,903	215,142	362,063	215,000	-	147,063	-	6%
Hyde	24.4%	480,719	519,655	38,936	70,130	39,000	-	31,130	-	6%
Iredell	14.6%	6,336,815	6,432,554	95,739	214,229	96,000	-	-	118,229	2%
Jackson	16.8%	1,801,406	1,859,133	57,726	169,373	58,000	-	111,373	-	6%
Johnston	18.0%	7,738,585	8,178,533	439,947	929,941	440,000	-	489,941	-	6%
Jones	22.2%	780,026	826,013	45,987	95,483	46,000	-	49,483	-	6%
Lee	20.3%	2,602,337	2,889,980	287,643	461,127	288,000	-	173,127	-	6%
Lenoir	26.0%	4,831,062	5,139,801	308,739	1,245,665	309,000	936,665	-	-	18%
Lincoln	15.1%	3,646,423	3,784,595	138,171	364,719	138,000	-	226,719	-	6%
Macon	18.6%	1,802,870	1,990,598	187,729	307,248	188,000	-	119,248	-	6%
Madison	21.2%	1,525,318	1,603,565	78,247	174,063	78,000	-	96,063	-	6%
Martin	27.3%	2,444,435	2,428,141	(16,294)	442,498	-	442,498	-	-	18%
McDowell	18.4%	2,753,034	2,912,902	159,869	334,500	160,000	-	174,500	-	6%
Mecklenburg	14.6%	29,244,549	31,107,999	1,863,450	2,434,759	1,863,000	-	-	571,759	2%
Mitchell	19.2%	1,186,361	1,289,672	103,310	180,259	103,000	-	77,259	-	6%
Montgomery	23.5%	1,885,878	2,118,297	232,419	358,898	232,000	-	126,898	-	6%
Moore	15.5%	3,694,403	3,862,262	167,859	399,372	168,000	-	231,372	-	6%
Nash	20.4%	5,319,765	5,668,245	348,480	687,561	348,000	-	339,561	-	6%
New Hanover	15.4%	9,172,760	9,435,623	262,863	828,248	263,000	-	565,248	-	6%
Northampton	32.1%	2,285,348	2,354,427	69,080	498,065	69,000	429,065	-	-	18%
Onslow	13.1%	5,267,416	5,644,012	376,597	480,736	377,000	-	-	103,736	2%
Orange	8.4%	4,063,284	4,395,559	332,275	412,789	332,000	-	-	80,789	2%

North Carolina Association of County Commissioners
Medicaid Relief Proposal to Medicaid Subcommittee

2006-07 Total Relief = 65,000,000

	Background				NCACC Cap & Targeted Relief					
						Cap	Targeted Relief Allocated as Follows:			
County	3 year avg Medicaid Eligibles per Pop.	Estimated 2005-06 County Medicaid Share	2006-07 County Medicaid Share	Difference	Total Relief	Relief from Cap at 2005-06 Costs	40% of Pool if >25%	55% of Pool if >15%	5% of Pool if <15%	Percent Relief from Target
Pamlico	20.4%	921,236	916,092	(5,145)	54,879	-	-	54,879	-	6%
Pasquotank	23.6%	2,568,074	2,891,260	323,186	496,203	323,000	-	173,203	-	6%
Pender	19.5%	2,559,588	2,842,433	282,846	453,278	283,000	-	170,278	-	6%
Perquimans	22.4%	745,635	831,595	85,960	135,817	86,000	-	49,817	-	6%
Person	18.8%	2,466,852	2,672,867	206,014	366,120	206,000	-	160,120	-	6%
Pitt	19.5%	8,182,803	8,987,907	805,104	1,343,428	805,000	-	538,428	-	6%
Polk	13.1%	1,003,262	1,082,022	78,760	98,887	79,000	-	-	19,887	2%
Randolph	16.8%	6,965,082	7,079,950	114,868	539,130	115,000	-	424,130	-	6%
Richmond	28.4%	3,861,886	4,035,688	173,803	909,454	174,000	735,454	-	-	18%
Robeson	33.9%	12,860,714	14,104,611	1,243,897	3,814,390	1,244,000	2,570,390	-	-	18%
Rockingham	19.6%	6,231,152	6,741,375	510,223	913,847	510,000	-	403,847	-	6%
Rowan	17.3%	7,285,650	6,697,079	(588,571)	401,194	-	-	401,194	-	6%
Rutherford	21.8%	4,608,400	4,809,963	201,563	490,145	202,000	-	288,145	-	6%
Sampson	26.0%	4,742,147	5,104,778	362,631	1,293,282	363,000	930,282	-	-	18%
Scotland	32.3%	3,537,430	3,733,517	196,087	876,387	196,000	680,387	-	-	18%
Stanly	17.1%	3,468,928	2,996,178	(472,750)	179,488	-	-	179,488	-	6%
Stokes	14.5%	2,257,862	2,544,306	286,444	332,764	286,000	-	-	46,764	2%
Surry	19.0%	4,877,107	5,117,758	240,651	547,583	241,000	-	306,583	-	6%
Swain	25.4%	930,711	1,073,973	143,263	338,718	143,000	195,718	-	-	18%
Transylvania	16.8%	1,748,032	1,785,659	37,627	144,971	38,000	-	106,971	-	6%
Tyrrell	23.2%	327,970	352,533	24,564	46,119	25,000	-	21,119	-	6%
Union	12.4%	4,995,024	4,508,030	(486,994)	82,857	-	-	-	82,857	2%
Vance	32.4%	3,726,213	4,206,648	480,435	1,246,609	480,000	766,609	-	-	18%
Wake	10.1%	21,267,920	24,169,062	2,901,142	3,345,223	2,901,000	-	-	444,223	2%
Warren	28.0%	1,694,398	1,928,289	233,890	585,407	234,000	351,407	-	-	18%
Washington	30.6%	1,273,311	1,286,361	13,050	247,423	13,000	234,423	-	-	18%
Watauga	8.8%	1,483,123	1,556,677	73,554	102,611	74,000	-	-	28,611	2%
Wayne	21.5%	7,045,123	7,508,995	463,872	913,832	464,000	-	449,832	-	6%
Wilkes	19.6%	5,012,330	5,144,220	131,891	440,169	132,000	-	308,169	-	6%
Wilson	23.4%	5,385,456	6,014,668	629,212	989,313	629,000	-	360,313	-	6%
Yadkin	15.2%	2,254,264	2,409,093	154,829	299,319	155,000	-	144,319	-	6%
Yancey	19.8%	1,355,048	1,424,605	69,557	155,342	70,000	-	85,342	-	6%
Total	17.4%	459,842,175	487,876,331	28,034,156	65,000,000	30,390,000	13,844,000	19,035,500	1,730,500	
						34,610,000	13,844,000	19,035,500	1,730,500	
							20	65	15	

Attachment IV

Department of Health and Human Services
Budget Summary

DHHS Summary:

The FY 2004-05 Budget for the Department of Health and Human Services was $3,811,720,311. The Governor's Proposed Continuation Budget for FY2005-2006 was $4,157,710,279 and $4,478,316,506 for FY2006-2007.

The biennial budget for the Department of Health and Human Services is as follows:

- $4,033,235,902 for FY 2005-06 - 5.9% increase over the authorized budget for FY 2004-05, 3% reduction from the Governor's Proposed Continuation Budget for FY2005-2006.
- $4,264,940,128 for FY 2006-07 - 11.9% increase over the authorized budget for FY 2004-05, 4.8% reduction off the Governor's Proposed Continuation Budget for FY2006-2007.

Expansion

Division of Medical Assistance

- Community Care of North Carolina Enhancements and Expansion to Aged, Blind and Disabled Population -- $3 million for FY 2005-06 and $6 million for FY 2006-07.
- Increase Rates for Dental Services -- $2 million each year of the biennium.
- Transfer Coverage of Children Age Birth to 5 from NC Health Choice to Medicaid -- $7.1 million for FY 2005-06 and $16.5 for FY 2006-07.

NC Health Choice

Provides $6.1 million for FY 2005-06 to support increased enrollment of children into the NC Health Choice Program.

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

Provides $8 million each year of the biennium to increase services in the community. Expands the following areas:

- Crisis Intervention Services
- Long-Term Vocational Support Services
- Child Mental Health Services
- Adult and Child Substance Abuse Services

Division of Facility Services

Provides $3,456,942 in SFY2005-06 and $5,207,570 in SFY2006-07 to improve regulation of health and social care facilities. The expansion funds 78.5 new positions in the Division (44.5 in SFY2005-06 and an additional 34 positions in SFY2006-07). Expands the following areas within the Division of Facility Services:

- Mental Health Licensure and Inspections
- Adult Care Licensure and Inspections
- Construction Inspections
- Complaint Intake
- Home Care Agency Licensure and Certification

A special provision also implements facility quality and regulatory changes (10.40A).

Expansion (continued)

Adult Care Homes

Provides $2,985,632 in FY 2005-06 and $5,225,029 in FY 2006-07 for increases related to State/County Special Assistance and Adult Care Home – Personal Care Services:

- Increases State/County Special Assistance Rate by $34 to $1,118
- Increases the State/County Special Assistance Rate for residents of Alzheimer/Dementia Special Care Units by $431 to $1,515
- Increases the Adult Care Home – Personal Care Service hours from 1.1 to 4.1 for residents of Alzheimer/Dementia Special Care Units effective October 2006
- Implements a revenue neutral income disregard in State/County Special Assistance to support increased enrollment of Medicaid recipients

Division of Social Services

- NC FAST -- $4.9 million nonrecurring for FY 2005-06, $6 million nonrecurring for FY 2006-07 Including funding in the continuation budget, in the TANF Block Grant, and from the Federal Government, DHHS will have $17.3 million needed to continue system development and implementation over FY 2005-06.
- Multiple Response System for County Departments of Social Services -- $2 million each year of the biennium to expand the program to remaining counties
- Food Banks -- $1 million increase each year of the biennium

Division of Child Development

- Child Care Subsidy -- $3.6 million nonrecurring for FY2005-2006

Division of Public Health

- Early Intervention -- $5 million for each year of the biennium
- Governor's Vision Care Program -- $2 million for each year of the biennium
- Health Disparities Initiative -- $2 million nonrecurring for FY 2005-06
- School Nurses - $2.5 million for each year of the biennium for 50 new school nurses.

Office of the Secretary

- Community Health Centers -- $2 million each year of the biennium.
- Critical Needs Funding for Hospitals -- $3M non-recurring for FY 2005-06.

More At Four Program

Provides $16.5 million each year of the biennium for 3,200 additional slots and an additional $150 per slot for new and existing More At Four slots.

Reductions

Division of Medical Assistance

Reduces the state cost of the Medicaid program by $118.8 million in FY 2005-06 (a 4.8% decrease in state expenditures) and $220.9 million in FY 2006-07 (a 8% decrease in state expenditures). Savings to counties resulting from these changes are $21.8 million in SFY 2005-06 and $40.1 million in SFY 2006-07. Also transfers $50 million each fiscal year from the Medicaid Reserve Fund to offset the General Fund cost of Medicaid.

- Freezes Medicaid Rates for Most Providers for the 2005-07 Biennium -- $62.5 million in FY 2005-06 and $137.1 million in FY 2006-07
- Reduces Personal Care Services -- $13.7 million for FY 2005-06 and $16.1 million for FY 2006-07
- Increases Medicaid recipient co-payments -- $5.4 million for FY 2005-06 and $5.4 million for FY 2006-07
- Community Care of NC Management Savings -- $22.2 million for FY 2005-06 and $32.2 million for FY 2006-07
- Medicare Part D Savings -- $11 million for FY 2005-06 and $22 million for FY 2006-07
- Prescription Drug Utilization Management -- $2.7 million for FY 2005-06 and $6.8 million for FY 2006-07
- Restores the following reductions:
  - ✓ Adjustment to Medicaid Coverage for Aged, Blind, and Disabled
  - ✓ Reduction of Physician Rates from 95% of Medicare to 90%
  - ✓ Reduction of Payments to Pharmacies
  - ✓ Private Duty Nursing Limitations

Division of Facility Services
Reduces appropriation to the Division of Facility Services by $1.8 million each year of the biennium by doubling all existing licensure and inspection fees for health and social care facilities and services.

Other Reductions
Other departmental reductions save $23.8 million in FY 2005-06 and $18.4 million in FY 2006-07.

Attachment V

Department of Health and Human Services

Block Grant Plans

April 27, 2006

Temporary Assistance for Needy Families (TANF) Block Grant Management Plan for SFY 2007

Overview and General Requirements

A. Goal or Purpose of Block Grant (as defined by federal funding agency)

To assist needy families with children so that children can be cared for in their own homes; to reduce dependency by promoting job preparation, work, and marriage; to reduce and prevent out-of-wedlock pregnancies; and to encourage the formation and maintenance of two-parent families.

B. Projected Federal Block Grant Funds Available

Block Grant Fund Carryforward, SFY05	$	28,543,871
Block Grant Fund Carryforward, SFY06 (Projected)	$	21,106,893
Federal Funds Available, 4th Qtr FFY06 (July 06 - Sept 06)	$	84,587,387
Federal Funds Available, First 3 Quarters FFY07 (Oct 06 - June 07)	$	253,762,161
Additional Funds to be Transferred In from other Block Grants		
Total Projected Federal Block Grant Funds Available, SFY07	$	388,000,312

C. Federal Block Grant Financial Requirements

States, Territories, or Tribes have broad flexibility to use the grant funds in any manner that meets the purposes of the program (including providing low-income households with assistance in meeting home heating and cooling costs) and in ways that the State, Territory and Tribe was authorized to use funds received under the predecessor Aid to Families with Dependent Children (AFDC), Job Opportunities and Basic Skills Training (JOBS) and Emergency Assistance (EA) programs. States and Territories may also transfer no more than 30% of their assistance grant funds to the Child Care and Development Block Grant (CCDBG) and Social Services Block Grant (SSBG) Programs. SSBG is limited to 4.25%. Not more than 15 percent of any State grant may be spent on administrative costs, exclusive of certain computerization and information technology expenses.

D. Financial Audit Standards Assurance Statement

A state agency that receives state and federal funds and then disburses those funds to a grantee:

- Must notify each grantee, at the time the grant is made, of the purpose of the grant and of the reporting requirements established in N.C.G.S. 143-6.2 and 09 NCAC 03M.0102-.0802. This notification is to be made annually and in writing. (This is accomplished through the contract process.)
- Is not authorized to disburse funds to grantees that are not in compliance with the reporting requirements for funds received during the prior fiscal year.
- Must also provide each grantee with the accounting forms and other reporting formats that have been prescribed by the Office of the State Auditor (OSA) and/or mandated by legislation. The OSA forms and instructions can be downloaded at http://www.ncauditor.net/NonProfitSite/forms.aspx
- Must develop compliance supplements that provide suggested audit procedures to independent auditors performing audits. This information is provided to the Local Government Commission within the Department of State Treasurer and published at http://www.treasurer.state.nc.us/SLG/frslg.htm

TANF Block Grant Management Plan
SFY07 Funding Request

Item #	Title	Requested SFY07	Required State Match	Required Local Match	Explanation of Difference Compared to SFY06 Allocation
Local Program Expenditures *(grouped by division, allocated by program)*					
Division of Social Services					
1	Work First Family Assistance (Cash Assistance)	$114,625,680	0	0	No Change from SFY06
2	Work First County Block Grants	$94,653,315	0	0	No Change from SFY06
3	County Demonstration Grants	$12,500,000	0	0	Initiated in SFY 07, $12,500,000 is being allocated to establish demonstration grants for the county social service offices based on available carry forward funds from SFY 05-06. This demonstration grant amount will be allocated over 3 years. The first years administrative costs of $125,000 are included in the Social Service Administration line item below. These demonstration grant funds will aid counties in meeting their new work requirement rates based on the passage of the Deficit Reduction Act.
4	Child Protective Services - Child Welfare Workers for Local DSS	$12,452,391	0	0	No Change from SFY06
5	Work First - Boys and Girls Clubs	$1,500,000	0	0	No Change from SFY06
6	Work First - After-School Services for At-Risk Children	$2,249,642	0	0	No Change from SFY06
7	Work First - After School Programs for At Risk Youth in Middle Schools	$500,000	0	0	No Change from SFY06
8	Work First - Work Central	$550,000	0	0	No Change from SFY06
9	Adoption Services - Special Children's Adoption Fund	$3,000,000	0	0	No Change from SFY06
10	Family Violence Prevention	$2,200,000	0	0	In SFY 07, $1,000,000 is being added to this item based on available carryforward dollars.

TANF Block Grant Management Plan
SFY07 Funding Request

Item #	Title	Requested SFY07	Required State Match	Required Local Match	Explanation of Difference Compared to SFY06 Allocation
11	Family and Children's Mental Health	$3,000,000	0	0	In SFY 07, $3,000,000 is being allocated to this program based on available carryforward dollars. This fund involves DSS working in collaboration with DMH to design, offer and enhance services to families and children suffering from child welfare issues related to the use and abuse of alcohol and other drugs as well as mental health issues.
12	Foster Care	$2,000,000	0	0	In SFY 07, $2,000,000 is being added allocated to this program based on available carryforward dollars. This will make available to the counties additional funds to mitigate the impact of the Deficit Reduction Act on foster case costs if we lose IVE funds when relatives of foster children choose not to become licensed. This will be a one time allocation.
13	Housing	$3,548,322	0	0	In SFY 07, $3,548,322 is being allocated for housing based on available carryforward dollars. In collaboration with the Housing Finance Agency, this funding is to provide for crisis or short term episodes of need in order to help people flee domestic violence, escape homelessness, or help families with children avoid eviction.
Division of Child Development					
14	Subsidized Child Care Program	$36,563,266	0	0	No Change from SFY06

DHHS Program Expenditures ***(grouped by division, allocated by program)***

Local Administration ***(grouped by division, allocated by local entity type)***

DHHS Administration ***(by division)***

TANF Block Grant Management Plan
SFY07 Funding Request

Item #	Title	Requested SFY07	Required State Match	Required Local Match	Explanation of Difference Compared to SFY06 Allocation
15	Division of Social Services	$586,931	0	0	In SFY 07, increase of $85,640 is due to legislative increase and retirement rate increases in SFY 05-06. Administrative costs for DSS have also increased due to additional $20,000 to fund National Directory of New Hires as well as $125,000 to fund two time limited positions to adminster the County Demonstration Grants.
16	Office of the Secretary	$65,836	0	0	In SFY 07, increase of $5,587 is due to legislative increase and retirement rate increases in SFY 05-06.
17	Office of the Secretary/DIRM - TANF Automation Projects	$592,500	0	0	No Change from SFY06
18	Office of the Secretary/DIRM - NCFAST Implementation	$1,800,000	0	0	In SFY 07, decreased due to revised timeline for completion of project.
Transfers to other State Agencies ***(by agency name)***					
Transfers to other Block Grants ***(by division, block grant and program name)***					
Division of Child Development					
19	Transfer to Child Care and Development Fund	$81,292,880	0	0	No Change from SFY06
Division of Social Services					
20	Transfer to SSBG for Department of Juvenile Justice and Delinquency Prevention - Support our Students	$2,749,642	0	0	In SFY 06 funding for this line item was supported by the TANF Block Grant
21	Transfer to SSBG for Child Protective Services - Child Welfare Training for Counties	$2,550,000	0	0	In SFY 06 funding for this line item was supported by the TANF Block Grant
22	Transfer to SSBG for Maternity Homes	$838,000	0	0	In SFY 06 funding for this line item was supported by the TANF Block Grant
23	Transfer to SSBG for Teen Pregnancy Prevention Initiatives	$2,500,000	0	0	In SFY 06 funding for this line item was supported by the TANF Block Grant
24	Transfer to SSBG for County DSS for Children's Services	$4,500,000	0	0	No Change from SFY06
25	Transfer to SSBG for Foster Care Services	$1,181,907	0	0	Funds are being transferred to SSBG for the funding of Foster Care Services provided by Child Caring Agencies

TANF Block Grant Management Plan
SFY07 Funding Request

Item #	Title	Requested SFY07	Required State Match	Required Local Match	Explanation of Difference Compared to SFY06 Allocation
TOTAL		$388,000,312			

TANF Block Grant Management Plan
Prior Year Appropriations and Expenditures
(Item Numbering Corresponds to SFY 07 Proposed Allocation #)

SFY 07 Alloc. Item #(s)	Funded Activities	Appropriated SFY04	Expended SFY04	Appropriated SFY05	Expended SFY05	Appropriated SFY06	Projected Expenditures SFY06	Requested SFY07	Difference
Division of Social Services									
1	Work First Family Assistance (cash assistance)	$ 129,396,275	$ 98,200,976	$ 119,841,508	$ 93,099,498	$ 114,625,680	$ 100,894,304	114,625,680	$ -
2	Work First County Block Grant	$ 94,653,315	$ 93,433,041	$ 94,653,315	$ 95,150,482	$ 94,653,315	$ 94,653,315	$94,653,315	$ -
3	County Demonstration Grants							$12,500,000	$ 12,500,000
	County Demonstration Grants Reserve 2007-2009							$10,000,000	$ 10,000,000
4	Child Protective Services - Child Welfare Workers for Local DSS's	$ 11,452,391	$ 11,452,391	$ 12,452,391	$ 12,452,388	$ 12,452,391	$ 12,452,391	12,452,391	$ -
20	Dept. Of Juvenile Justice and Delinquency Prevention - Support Our Students	$ 2,249,642	$ 2,249,642	$ 2,749,642	$ 2,749,642	$ 2,749,642	$ 2,749,642	See transfer to Block Grant	$ (2,749,642)
10	Family Violence Prevention	$ 1,200,000	$ 962,627	$ 1,200,000	$ 1,054,877	$ 1,200,000	$ 1,200,000	2,200,000	$ 1,000,000
6	Work First - After School Services for At-Risk Children	$ 2,249,642	$ 1,802,956	$ 2,249,642	$ 1,725,096	$ 2,249,642	$ 2,249,642	2,249,642	$ -
15	Division Of Social Services Administration	$ 400,000	$ 400,000	$ 400,000	$ 400,000	$ 356,291	$ 356,291	586,931	$ 230,640
16	Office of the Secretary Administration	included on line 15	included on line 15	included on line 15	included on line 16	$ 60,249	$ 60,249	65,836	$ 5,587
21	Child Welfare Training	$ 2,550,000	$ 2,550,000	$ 2,550,000	$ 1,756,022	$ 2,550,000	$ 2,550,000	See transfer to Block Grant	$ (2,550,000)
5	Work First - Boys and Girls Clubs	$ 1,000,000	$ 999,405	$ 1,000,000	$ 808,855	$ 1,500,000	$ 1,500,000	1,500,000	$ -
8	Work First - Work Central	$ 550,000	$ 550,000	$ 550,000	$ 550,000	$ 550,000	$ 550,000	550,000	$ -
9	Adoption Services - Special Children's Adoption Fund	$ 2,000,000	$ 2,000,000	$ 3,000,000	$ 3,000,000	$ 3,000,000	$ 3,000,000	3,000,000	$ -
22	Maternity Homes	$ 838,000	$ 837,997	$ 838,000	$ 838,000	$ 838,000	$ 838,000	See transfer to Block Grant	$ (838,000)
	Individual Development Accounts	$ 180,000	$ -	$ 180,000	$ 50,954	$ -	$ -	-	$ -
7	After-School Programs for At-Risk Youth in Middle Schools			500,000	$ 354,080	$ 500,000	$ 500,000	$ 500,000	$ -
11	Children's Mental Health							$3,000,000	$ 3,000,000
12	Foster Care							$2,000,000	$ 2,000,000
13	Housing							$3,548,322	$ 3,548,322
Division of Mental Health									$ -
	Residential Substance Abuse Services for Women with Children	$ 2,000,000	$ 2,000,000						$ -
Division of Public Health									$ -
23	Teen Pregnancy Prevention Initiatives					$ 2,500,000	$ 2,500,000	See transfer to Block Grant	$ (2,500,000)
	WCH-Teen Pregnancy Prevention	$ 1,500,000	$ 1,097,118	$ 1,500,000	$ 1,406,031				$ -
	Reduction of Out of Wedlock Births	$ 1,000,000	$ 947,399	$ 1,000,000	$ 949,672				$ -
									$ -
	Pregnancy Prevention Coalition of North Carolina	$ 127,500	$ 85,000						$ -
Division of Child Development									$ -
14	Subsidized Child Care Program	$ 26,621,241	$ 26,621,241	$ 34,512,238	$ 34,508,252	$ 36,563,266	$ 36,563,266	36,563,266	$ -
Office of the Secretary/DIRM									$ -
17	TANF - Automation Projects	$ 592,500	$ 60	$ 592,500	$ 592,389	$ 592,500	$ 592,500	592,500	$ -
18	NC Fast Implementation	$ 630,000	$ -	$ 2,717,298	$ -	$ 2,717,298	$ 2,717,298	1,800,000	$ (917,298)
Transfer to Other Block Grants									$ -
25	Transfer to Social Services Block Grant for Child Caring Institutions	$ 1,500,000	$ 1,500,000	$ 1,500,000	$ 1,500,000			$ 1,181,907	$ 1,181,907
20	Transfer to SSBG for Department of Juvenile Justice and Delinquency Prevention - Support our Students							2,749,642	$ 2,749,642
21	Transfer to SSBG for Child Protective Services - Child Welfare Training for Counties							2,550,000	$ 2,550,000
22	Transfer to SSBG for Maternity Homes							838,000	$ 838,000
23	Transfer to SSBG for Teen Pregnancy Prevention Initiatives							2,500,000	$ 2,500,000
19	Transfer to Child Care and Development Fund	79,562,189	$ 84,462,189	81,292,880	$ 81,284,314	81,292,880	81,292,880	81,292,880	$ -
24	Transfer to SSBG for County DSS's for Children's Services	$ 4,500,000	$ 4,500,000	$ 4,500,000	$ 4,500,000	$ 4,500,000	$ 4,500,000	4,500,000	$ -
	TOTAL	**$ 366,752,695**	**$ 336,652,043**	**$ 369,779,414**	**$ 338,730,552**	**$ 365,451,154**	**$ 351,719,778**	**398,000,312**	**$ 32,549,158**

NOTE:
Cash Assistance and the County Block grant are interchangeable for electing counties, therefore the county Block Grant in SFY 2005 appears to be overspent. Cash Assistance funds were transferred per the counties re[illegible]s the counties needed additional Block Grant funds

TANF Block Grant Management Plan
Coversheet for Program Summary Reports

Attached herein are Program Summary Reports for all of the locally and State administered programs supported by this block grant. Those programs include:

Program	Supervised/ Administered By:
Subsidized Child Care Program	DCD
Work First Block Grant	DSS
Work First - After-School Services for At-Risk Children	DSS
Work First - Boys and Girls Clubs	DSS
Child Protective Services	DSS
Adoption Services - Special Children Adoption Fund	DSS
Work First - Work Central	DSS
Family Violence Prevention	DSS
Foster Care	DSS
Family and Children's Mental Health	DMH

Detail of Non-Programmatic TANF Block Grant Funding Requests, SFY07

Item #	Title	Requested Amount	Description of Proposed Use of Funds, Including Notes on Changes from SFY06 Allocation
Local Administration			
DHHS Administration			
15	Division of Social Services	$586,931	These funds represent the TANF portion of cost allocated amount to support monitoring and administrative support of TANF and Work First Program. In SFY 07, increase of $85,640 is due to legislative increase and retirement rate increases in SFY 05-06. An additional $20,000 is a required fee to access National Directory of New Hires as well as $125,000 for two time limited position for administer the Demonstration Grants. This fee required based on the passage of the Deficit Reduction Act
16	Office of the Secretary	$65,836	Funds support position that tracks TANF Maintenance of Effort (MOE) requirement and develops and monitors MOE provided by state and local agencies. In SFY 07, increase of $5,587 is due to legislative increase and retirement rate increases in SFY 05-06.
17	Office of the Secretary/DIRM - TANF Automation Projects	$592,500	TANF Automation Reauthorization - Required to make changes based on new Federal Regulations and potentially new federal TANF requirements should TANF be reauthorized this year.
18	Office of the Secretary/DIRM - NCFAST Implementation	$1,800,000	NC Fast - DHHS has been successful with the initial implementation of many of the small automation projects that support NC FAST. The Department is now poised to implement an automated case management system that will support case management services at local Departments of Social Services. Automated case management services are the tools used by the front line DSS workers to more efficiently and accurately determine eligibility and ultimately provide better services to clients.
Transfers to other Block Grants			
Division of Child Development			
19	Transfer to Child Care and Development Fund	$81,292,880	Funds are transferred to use for child care subsidies.
Division of Social Services			
20	Transfer to SSBG for Department of Juvenile Justice and Delinquency Prevention - Support our Students	$2,749,642	Funds transferred to Support Our Students mentoring program for at-risk youth in low income communities and in undeserved areas. In SFY 06 funding for this line item was supported by the TANF Block Grant
21	Transfer to SSBG for Child Protective Services - Child Welfare Training for Counties	$2,550,000	Funds are used to support Child Welfare training for county DSS staff. In SFY 06 funding for this line item was supported by the TANF Block Grant
22	Transfer to SSBG for Maternity Homes	$838,000	These funds are used to pay for up to six months of care in a licensed maternity home for adolescents and women who are pregnant and are in need of temporary out-of-home placement. In SFY 06 funding for this line item was supported by the TANF Block Grant

Detail of Non-Programmatic TANF Block Grant Funding Requests, SFY07

Item #	Title	Requested Amount	Description of Proposed Use of Funds, Including Notes on Changes from SFY06 Allocation
23	Transfer to SSBG for Teen Pregnancy Prevention Initiatives	$2,500,000	Funds are transferred to the Division of Public Health to support primary prevention initiatives (prevention of first pregnancy), secondary prevention initiatives (prevention of second pregnancy, support and encouragement to teen parents). In SFY 06 funding for this line item was supported by the TANF Block Grant
24	Transfer To SSBG for County DSS for Children's Services	$4,500,000	Funds are included in county departments of social services SSBG allocation to be used for various children's services.
25	Transfer to SSBG for Foster Care Services	$1,181,907	Funds are being transferred to SSBG for the funding of Foster Care Services provided by Child Caring Agencies

New DHHS Positions to be Established with TANF Block Grant Funds, SFY07

To Be Supported by SFY 07 Alloc. Item #(s)	Division/Office	Position Title	No. of Pos.	FTEs	Salary Grade	Salary for 1 FTE	Total Salary & Fringe	Pos Eff Date
13	Division of Social Services	Social Services Consultant II	2	2 (Time limited)	73	$ 51,233	$ 62,500	7/1/2006
	Division of Child Development	none						
	Office of the Secretary	none						

Social Services Block Grant Management Plan for SFY 2007
Overview and General Requirements

A. Goal or Purpose of Block Grant (as defined by federal funding agency)

The purpose of the Social Services Block Grant (SSBG) program is to provide funds to States to provide services for individuals, families and entire population groups to be directed at one or more of the five broad goals: 1) Achieving or maintaining economic self-support to prevent, reduce, or eliminate dependency; 2) Achieving or maintaining self-sufficiency, including reduction or prevention of dependency; 3) Preventing or remedying neglect, abuse, or exploitation of children and adults unable to protect their own interests; or preserving, rehabilitating, or reuniting families; 4) Preventing or reducing inappropriate institutional care by providing for community-based care, home-based care, or other forms of less intensive care; and 5) Securing referral or admission for institutional care when other forms of care are not appropriate or providing services to individuals in institutions.

B. Projected Federal Block Grant Funds Available

Block Grant Fund Carryforward, SFY05	$604,404
Block Grant Fund Carryforward, SFY06 (Projected)	
Federal Funds Available, 4th Qtr FFY06 (July 06 - Sept 06)	$12,218,096
Federal Funds Available, First 3 Quarters FFY07 (Oct 06 - June 07)	$36,654,288
Additional Funds to be Transferred In from other Block Grants	$14,319,549
Additional SSBG Supplemental Emergency Funds for Hurricane Relief, SFY 07	$969,272
Total Projected Federal Block Grant Funds Available, SFY07	$64,765,609

C. Federal Block Grant Financial Requirements

States are given wide discretion to determine the services to be provided and the groups that may be eligible for services, usually low income families and individuals. In addition to supporting social services, the law allows States to use their allotment for staff training, administration, planning, evaluation, and purchasing technical assistance in developing, implementing, or administering the State social service program. States decide what amount of the Federal allotment to spend on services, training, and administration. SSBG Supplemental Emergency Funds for Hurricane Relief can only be spent to help meet the needs of people from the Gulf Coast who were affected by hurricanes Katrina, Rita and Wilma and have moved to North Carolina.

D. Financial Audit Standards Assurance Statement

A state agency that receives state and federal funds and then disburses those funds to a grantee:

- Must notify each grantee, at the time the grant is made, of the purpose of the grant and of the reporting requirements established in N.C.G.S. 143-6.2 and 09 NCAC 03M.0102-.0802. This notification is to be made annually and in writing. (This is accomplished through the contract process.)
- Is not authorized to disburse funds to grantees that are not in compliance with the reporting requirements for funds received during the prior fiscal year.
- Must also provide each grantee with the accounting forms and other reporting formats that have been prescribed by the Office of the State Auditor (OSA) and/or mandated by legislation. The OSA forms and instructions can be downloaded at http://www.ncauditor.net/NonProfitSite/forms.aspx
- Must develop compliance supplements that provide suggested audit procedures to independent auditors performing audits. This information is provided to the Local Government Commission within the Department of State Treasurer and published at http://www.treasurer.state.nc.us/SLG/frslg.htm

Social Services Block Grant Management Plan
SFY07 Funding Request

Item #	Title	Requested SFY07	Required State Match	Required Local Match	Explanation of Difference Compared to SFY06 Allocation
Local Program Expenditures *(grouped by division, allocated by program)*					
Divisions of Social Services and Aging & Adult					
1	County departments of social services (Transfer from TANF - $4,500,000) **DSS** Adoption Services Foster Care Services Child Protective Services -CPS **DAAS** HCCBG - In-Home Services Adult Home Specialist Fund Guardianship Adult Protective Services Case Management and Counseling	$28,868,189	0%	Varies by Prgm 25% 25% 25% 12.50% 25% 25% 25% 25%	No change from SFY06 appropriation. Division of Aging and DSS share this allocation because counties can drawn SSBG in multiple programs. Includes the $4,500,000 TANF transfer.
2	State In-Home Services Fund (DAAS)	$2,101,113	0%	12.50%	No change from SFY06 appropriation.
3	State Adult Day Care Fund (DAAS)	$2,155,301	0%	12.5%	No change from SFY06 appropriation.
4	Child Protective Services/CPS Investigative Services - Child Medical Evaluation Program (DSS)	$238,321	25%	0%	No change from SFY06 appropriation.
5	Foster Care Services (DSS)	$1,706,063	25%	0%	In SFY 06, funding for this line item was through carryforward funds of $1,706,063. For SFY 07, funding for this line item is through available carryforward funds of $164,156. Also $360,000 from subsidized child care and the remaining is a TANF transfer.
6	Child Protective Services - Child Welfare Training for Counties (DSS) (Transfer from TANF)	$2,550,000	0%	0%	In SFY 06, funding for this line item was supported with the TANF Block Grant.
7	Maternity Homes (DSS) (Transfer from TANF)	$838,000	0%	0%	In SFY 06, funding for this line item was supported with the TANF Block Grant.
8	Local DSS Services for Hurricane Victims	$509,272	0%	0%	In SFY 07, funding for this line item is supported with the SSBG Supplemental Emergency Funds for Hurricane Relief.
Division of Aging and Adult Services					
9	Home and Community Care Block Grant (HCCBG)	$1,834,077	2.50%	10%	No change from SFY 06 appropriation.
[illegible]on of Mental Health, Developmental Disabilities and Substance Abu[illegible]rvices					
10	[illegible]ental Health Services Program	$ 422,003	[illegible]25%	0%	No change from SFY06 appropriation.

Social Services Block Grant Management Plan
SFY07 Funding Request

Item #	Title	Requested SFY07	Required State Match	Required Local Match	Explanation of Difference Compared to SFY06 Allocation
11	Developmental Disabilities Services Program	$ 5,000,000	25%	0%	No change from SFY06 appropriation.
12	Mental Health Services-Adult Mental Health Services-Child Developmental Disabilities Program Substance Abuse Services-Adult	$ 3,234,601	25%	0%	No change from SFY06 appropriation.
Division of Child Development					
13	Subsidized Child Care Program	$3,150,000	0%	0%	No change from SFY 06. All funds in this line item will be allocated to local departments of Social Services for the purchase of subsidized Child Care Services with $460,000 coming from SSBG Supplemental Emergency Funds to be spent on evacues from the Gulf Hurricanes residing in NC.
Division of Vocational Rehabilitation					
14	Vocational Rehabilitation Services - Easter Seal Society/UCP	$188,263	25%	0%	No change from SFY 06 appropriation.
Office of the Secretary - OEO					
15	Elderly Supplemental Grant Program	$41,302	25%	0%	No change from SFY06 appropriation.
Division of Public Health					
16	Teen Pregnancy Prevention Initiatives (Transfer from TANF)	$2,500,000	0%	0%	In SFY 06, funding for this line item was supported with the TANF Block Grant.

DHHS Program Expenditures ***(grouped by division, allocated by program)***

Division of Aging and Adult Services					
17	UNC-CARES Training Contract	$247,920	0%	25%	No change from SFY06 appropriation.
Division of Blind					
18	Independent Living Program	$3,314,114	0%	0%	These funds support the Independent Living Program, which is administered by DSB. Increase of $131,127 is due to legislative increase and retirement rate increases in SFY 05-06.
Division of Facility Services					
19	Adult Care Licensure Program	$411,897	25%	0%	No change from SFY 06 appropriation.
20	Mental Health Licensure and Certification Program	$205,668	25%	0%	No change from SFY 06 appropriation.

Social Services Block Grant Management Plan
SFY07 Funding Request

Item #	Title	Requested SFY07	Required State Match	Required Local Match	Explanation of Difference Compared to SFY06 Allocation
Local Administration *(grouped by division, allocated by local entity type)*					
Division Name					
DHHS Administration *(by division)*					
21	Division Aging and Adult Services	$630,636	25%	0%	Increase due to legislative increase and retirement rate increase in SFY 05-06. In SFY 06 DSS Trns $15,000 to DCD to help cover cost of Foster Care and Adoptive finger print checks.
	Division of Social Services	$869,058	25%	0%	
	Office of the Secretary/Controller's Office	$123,059	25%	0%	
	Office of the Secretary/DIRM	$82,009	25%	0%	
	Division of Child Development	$15,000	25%	0%	
22	Division of Mental Health Developmental Disabilities and Substance Abuse Services	$18,098	25%	0%	No change from SFY 06 appropriation.
23	Division of Facility Services	$62,986	25%	0%	Increase of $25,782 is due to legislative and retirement rate increases in SFY 05-06.
24	Office of the Secretary-NC Inter-Agency Council for Coordinating Homeless Programs	$250,000	0%	0%	No change from SFY 06 appropriation.
25	Office of the Secretary - Housing Coalition	$100,000	0%	0%	Added in SFY 2007 to support two staff to coordinate the balance of state Homeless Management Information System project and provide training.
Transfers to other State Agencies *(by agency name)*					
Department of Administration					
26	NC Commission of Indian Affairs In-Home Services for the Elderly	$203,198	0%	25%	No change from SFY 06 appropriation.
Department of Juvenile Justice and Delinquency Prevention					
27	Support Our Students (Transfer from TANF)	$2,749,642	0%	0%	In SFY 06, funding for this line item was supported with the TANF Block Grant.
Transfers to other Block Grants *(by division, block grant and program name)*					
Division of Public Health					
28	Transfer to Preventive Health Services BG for HIV/STD Prevention and Community Planning	$145,819	0%	0%	No change from SFY 06 appropriation.
TOTAL		**$64,765,609**			
	ansfer from TANF to SSBG	($14,319,549)			
		50,446,060.00			

14

Social Services Block Grant Management Plan
Prior Year Appropr[redacted]s and Expenditures

(Item Numbering Correspo[redacted]FY 07 Proposed Allocation #)

SFY 07 Alloc. Item #(s)	Funded Activities	Appropriated SFY04	Expended SFY04	Appropriated SFY05	Expended SFY05	Appropriated SFY06	Projected Expenditures SFY06	Requested SFY07	Difference
Division of Social Services									
1	County Dept. of Social Services	$ 28,868,189	$ 27,855,724	$ 28,868,189	$ 28,868,189	$ 28,868,189	$ 28,868,189	$ 28,868,189	$ -
2	State In-Home Services Fund	$ 2,101,113	$ 2,101,113	$ 2,101,113	$ 2,101,113	$ 2,101,113	$ 2,101,113	$ 2,101,113	$ -
3	State Adult Day Care Fund	$ 2,155,301	$ 2,123,594	$ 2,155,301	$ 2,035,372	$ 2,155,301	$ 2,155,301	$ 2,155,301	$ -
4	Child Protective Services/CPS Investigative Services.- Child Medical Evaluation Program	$ 238,321	$ 322,188	$ 238,321	$ 225,754	$ 238,321	$ 238,321	$ 238,321	$ -
	DSS-Child Caring Agencies (TANF Transfer)	$ 1,500,000	$ 1,500,000	$ -	$ -	$ -	$ -	$ -	$ -
5	Foster Care Services	$ -	$ -	$ 1,500,000	$ 1,500,000	$ 1,706,063	$ 1,706,063	$ 1,706,063	$ -
6	CPS - Child Welfare Training for Counties (Transfer from TANF)							$ 2,550,000	$ 2,550,000
7	Maternity Homes (Transfer from TANF)							$ 838,000	$ 838,000
8	Local DSS Services for Hurricane Victims							$ 509,272	$ 509,272
Division of Aging and Adult Services									$ -
9	Home and Community Care Block Grant	$ 1,840,234	$ 1,840,234	$ 1,840,234	$ 1,822,919	$ 1,834,077	$ 1,834,077	$ 1,834,077	$ -
17	UNC-CARES Training Contract	$ 247,920	$ 224,793	$ 247,920	$ 192,309	$ 247,920	$ 247,920	$ 247,920	$ -
Division of Mental Health, Developmental Disabilities and Substance Abuse Services									$ -
10	Mental Health Services Program	$ 422,003	$ 422,003	$ 422,003	$ 407,794	$ 422,003	$ 422,003	$ 422,003	$ -
11	Developmental Disability Services Program	$ 5,000,000	$ 4,242,353	$ 5,000,000	$ 4,836,585	$ 5,000,000	$ 5,000,000	$ 5,000,000	$ -
12	Mental Health Services-Adult Mental Health Services-Child Developmental Disabilities Program Substance Abuse Services-Adult	$ 3,234,601	$ 3,234,601	$ 3,234,601	$ 3,129,211	$ 3,234,601	$ 3,234,601	$ 3,234,601	$ -
Services for the Blind									$ -
18	Independent Living Program	$ 3,105,711	$ 3,105,711	$ 3,105,711	$ 3,105,711	$ 3,182,987	$ 3,182,987	$ 3,314,114	$ 131,127
Division Vocational Rehabilitation									$ -
14	Division of Vocational Rehabilitation -United Cerebral Palsy	$ 71,484	$ 71,484	$ 71,484	$ 71,484	$ -	$ -	$ -	$ -
14	Division of Vocational Rehabilitation -Easter Seals Society	$ 116,779	$116,779	$ 116,779	$ 116,779	$ -	$ -	$ -	$ -
14	Vocational Rehabilitation Services - Easter Seal Society/UCP	$ -	$ -	$ -	$ -	$ 188,263	$ 188,263	$ 188,263	$ -
Office of the Secretary - OEO									$ -
15	Elderly Supplemental Grant Program	$ 41,302	$ 41,302	$ 41,302	$ 40,596	$ 41,302	$ 41,302	$ 41,302	$ -
Division of Public Health									$ -
16	Teen Pregnancy Prevention Initiatives (Transfer from TANF)							$ 2,500,000	$ 2,500,000
Division of Child Development									$ -
13	Subsidized Child Care Program	$ 3,000,000	$ 3,000,000	$ 6,269,309	$ 6,269,309	$ 3,150,000	$ 3,150,000	$ 3,150,000	$ -
Division of Facility Services									$ -
19	Adult Care Licensure Program	$ 426,836	$ 425,764	$ 426,836	$ 426,836	$ 411,897	$ 411,897	$ 411,897	$ -
20	Mental Health Licensure and Certification Program	$ 213,128	$ 212,593	$ 213,128	$ 227,933	$ 205,668	$ 205,668	$ 205,668	$ -
Departmental Administration									$ -
21	Division of Social Services Division of Aging and Adult Services Office of the Secretary/Controller's Office Office of the Secretary/DIRM	$ 1,693,368	$ 1,359,472	$ 1,693,368	$ 1,615,493	$1,706,017	$1,706,017	$1,719,762	$13,745
22	Division of Mental Health Developmental Disabilities and Substance Abuse Services	included on Ln 9 & 21	included on Ln 9 & 21	included on Ln 9 & 21	included on Ln 9 & 21	$18,098	$18,098	$ 18,098	$ -
23	Division of Facility Services	Included on Ln 19 & 20	Included on Ln 19 & 20	Included on Ln 19 & 20	Included on Ln 19 & 20	$ 37,204	$ 37,204	$ 62,986	$ 25,782
24	Office of the Secretary-NC Inter-Agency Council for Coordinating Homeless Programs	$ 150,000			$ 148,609	$ 250,000	$ 250,000	$ 250,000	$ -
25	Office of the Secretary - Housing Coalition							$ 100,000	$ 100,000
Transfer to Other State Agencies									$ -
Department of Administration									$ -

Social Services Block Grant Management Plan
Prior Year Appropriations and Expenditures

(Item Numbering Corresponds to SFY 07 Proposed Allocation #)

SFY 07 Alloc. Item #(s)	Funded Activities	Appropriated SFY04	Expended SFY04	Appropriated SFY05	Expended SFY05	Appropriated SFY06	Projected Expenditures SFY06	Requested SFY07	Difference
26	NC Commission of Indian Affairs In-Home Services Program for the Elderly (Funds budgeted in the Division of Aging and Adult Services)	$ 203,198	$ 178,868	$ 203,198	$ 189,275	$ 203,198	$ 203,198	$ 203,198	$ -
Department of Juvenile Justice and Delinquency Prevention									
27	Support Our Students (Transfer from TANF)							$ 2,749,642	$ 2,749,642
Transfer to Other Block Grants									
Division of Public Health									
28	Transfer to Preventive Health Services Block Grant for HIV/STD Prevention and Community Planning	$ 145,819	$ 145,819	$ 145,819	$ 143,373	$ 145,819	$ 145,819	$ 145,819	$ -
	TOTAL	**$ 54,775,307**	**$ 52,524,395**	**$ 57,894,616**	**$ 57,474,644**	**$ 55,348,041**	**$ 55,348,041**	**$ 64,765,609**	$ 9,417,568

Social Services Block Grant Management Plan
Coversheet for Program Summary Reports

Attached herein are Program Summary Reports for all of the locally and State administered programs supported by this block grant. Those programs include:

Program	Supervised/ Administered By
Adoptions Services	DSS
Foster Care Services	DSS
Child Protective Services - CPS	DSS
Child Protective Services/CPS Investigative Services - Child Medical Evaluation Program	DSS
Maternity Homes (listed under Adoption Services in PMD)	DSS
Vocational Rehabilitation Services - Easter Seal Society/UCP	DVR
Elderly Supplemental Grant Program	OEO
Mental Health Services - Adult	DMHDDSAS
Mental Health Services - Child	DMHDDSAS
Mental Health Services Program	DMHDDSAS
Developmental Disabilities Services Program	DMHDDSAS
Substance Abuse Services - Adult	DMHDDSAS
Subsidized Child Care Program	DCD
Adult Care Licensure Program	DFS
Mental Health Licensure and Certification Program	DFS
Independent Living Program	DSB
State Adult Day Care Fund	DAAS
Home And Community Care Block Grant	DAAS
State In-Home Services Fund	DAAS
UNC-CARES Training Contract	DAAS
Adult Home Specialist Fund	DAAS
Guardianship	DAAS
Adult Protective Services	DAAS
Case Management and Counseling	DAAS
Teen Pregnancy Prevention Initiatives	DPH

Detail of Non-Programmatic Social Services Block Grant Funding Requests, SFY07

Item #	Title	Requested Amount	Description of Proposed Use of Funds, Including Notes on Changes from SFY06 Allocation
Local Administration			
DHHS Administration			
21	Division of Aging and Adult Services	$630,636	Funds support administrative functions/activities of the division. Increased due to Legislative Increase (LI) and Retirement Rate Increase in SFY 05-06. $15,000 transfer from DSS to DCD to help cover the cost of Foster Care and Adoptive finger print checks.
	Division of Social Services	$869,058	
	Office of the Secretary/Controller's Office	$123,059	
	Office of the Secretary/DIRM	$82,009	
	Division of Child Development	$15,000	
22	Division of Mental Health Developmental Disabilities and Substance Abuse Services	$18,098	Transferred from DIRM and Division of Aging and Adult Services for portion of Dix office rent
23	Division of Facility Services	$62,986	These funds support management and administrative functions/activities within the Division of Facility Services. Includes costs associated with positions earned through cost allocation. Increase due to legislative increase and retirement increase in SFY 05-06.
24	Office of the Secretary-NC Inter-Agency Council for Coordinating Homeless Programs	$250,000	Funding supports initiatives by the Council to identify and secure available resources that can be used to assist with cooperative efforts, policy initiatives and program implementation related to homelessness.
25	Office of the Secretary - Housing Coalition	$100,000	Added in SFY 2007 to support two staff to coordinate the balance of state Homeless Management Information System project and provide training.
Transfers to other State Agencies			
Department of Administration			
26	Dept of Admin-Commission of Indian Affairs	$203,198	NC Commission of Indian Affairs has four service sites and the objective is to increase the quality of life by providing needed services for American Indian elders residing in isolated communities and to increase the utilization of public benefits by American Indians who are physically or mentally challenged living in rural areas. The average number of clients served is 85. This program services clients through preparation of meals, In-Home Aide and volunteer transportation. The NC Commission of Indian Affairs, Community Services Program provides direct services to clients which greatly contributes to their quality of life. A total of 6.3 FTE positions, including 1 FTE as the Program Director, are supported with these funds.
Department of Juvenile Justice and Delinquency Prevention			
27	Support Our Students (Transfer from TANF)	$2,749,642	Funds are used to support the Support Our Students mentoring programs for at-risk youth. In SFY 06, funding for this line item was supported by the TANF Block Grant.
Transfers to other Block Grants			
[redacted]	Transfer to Preventive Health Services BG for HIV/STD Prevention and Community Planning	$145,819	T[redacted]V/STD Prevention and Care Branch in the Division of Public Health has focu[redacted]its e[redacted]on the HIV/AIDS awareness and education media campaign and the local H[redacted]D prevention partnerships with local health departments.

New DHHS Positions to be Established with Social Services Block Grant Funds, SFY07

To Be Supported by SFY 07 Alloc. Item #(s)	Division/Office	Position Title	No. of Pos.	FTEs	Salary Grade	Salary for 1 FTE	Total Salary & Fringe	Pos Eff Date
	Aging and Adult Services		NONE					
	Child Development		NONE					
	Facility Services		NONE					
	Mental Health Developmental Disabilities and Substance Abuse Services		NONE					
	Office of the Secretary		NONE					
	Public Health		NONE					
	Services for the Blind		NONE					
	Social Services		NONE					
	Vocational Rehabilitation		NONE					

Detail of Non-Programmatic Social Services Block Grant Funding Requests, SFY07

Item #	Title	Requested Amount	Description of Proposed Use of Funds, Including Notes on Changes from SFY06 Allocation
Local Administration			
DHHS Administration			
21	Division of Aging and Adult Services	$630,636	Funds support administrative functions/activities of the division. Increased due to Legislative Increase (LI) and Retirement Rate Increase in SFY 05-06. $15,000 transfer from DSS to DCD to help cover the cost of Foster Care and Adoptive finger print checks.
	Division of Social Services	$869,058	
	Office of the Secretary/Controller's Office	$123,059	
	Office of the Secretary/DIRM	$82,009	
	Division of Child Development	$15,000	
22	Division of Mental Health Developmental Disabilities and Substance Abuse Services	$18,098	Transferred from DIRM and Division of Aging and Adult Services for portion of Dix office rent
23	Division of Facility Services	$62,986	These funds support management and administrative functions/activities within the Division of Facility Services. Includes costs associated with positions earned through cost allocation. Increase due to legislative increase and retirement increase in SFY 05-06.
24	Office of the Secretary-NC Inter-Agency Council for Coordinating Homeless Programs	$250,000	Funding supports initiatives by the Council to identify and secure available resources that can be used to assist with cooperative efforts, policy initiatives and program implementation related to homelessness.
25	Office of the Secretary - Housing Coalition	$100,000	Added in SFY 2007 to support two staff to coordinate the balance of state Homeless Management Information System project and provide training.
Transfers to other State Agencies			
Department of Administration			
26	Dept of Admin-Commission of Indian Affairs	$203,198	NC Commission of Indian Affairs has four service sites and the objective is to increase the quality of life by providing needed services for American Indian elders residing in isolated communities and to increase the utilization of public benefits by American Indians who are physically or mentally challenged living in rural areas. The average number of clients served is 85. This program services clients through preparation of meals, In-Home Aide and volunteer transportation. The NC Commission of Indian Affairs, Community Services Program provides direct services to clients which greatly contributes to their quality of life. A total of 6.3 FTE positions, including 1 FTE as the Program Director, are supported with these funds.
Department of Juvenile Justice and Delinquency Prevention			
27	Support Our Students (Transfer from TANF)	$2,749,642	Funds are used to support the Support Our Students mentoring programs for at-risk youth. In SFY 06, funding for this line item was supported by the TANF Block Grant.
Transfers to other Block Grants			
[redacted]	Transfer to Preventive Health Services BG for HIV/STD Prevention and Community Planning	$145,819	T[redacted]IV/STD Prevention and Care Branch in the Division of Public Health has focu[redacted] its [redacted] on the HIV/AIDS awareness and education media campaign and the local [redacted]TD prevention partnerships with local health departments.

LIHEAP Block Grant Management Plan for SFY 2007
Overview and General Requirements

A. Goal or Purpose of Block Grant (as defined by federal funding agency)

The purpose of the Low Income Home Energy Assistance Program (LIHEAP) grant is to assist eligible low income households with their home energy bills.

B. Projected Federal Block Grant Funds Available

Block Grant Fund Carryforward, SFY05	$	762,235
Block Grant Fund Carryforward, SFY06 (Projected)		28,342,288
Federal Funds Available, 4th Qtr FFY06 (July 06 - Sept 06)		6,603,822
Federal Funds Available, First 3 Quarters FFY07 (Oct 06 - June 07)		31,092,103
Additional Funds to be Transferred In from other Block Grants		
Total Projected Federal Block Grant Funds Available, SFY07	$	66,800,448

C. Federal Block Grant Financial Requirements

Up to 10 percent of these funds may be used for State and local planning and administration. Up to 15 percent may be used for low-cost residential weatherization. The additional $31,491,432 LIHEAP funds appropriated in FY 2006 cannot be used for administrative costs.

D. Financial Audit Standards Assurance Statement

A state agency that receives state and federal funds and then disburses those funds to a grantee:

- Must notify each grantee, at the time the grant is made, of the purpose of the grant and of the reporting requirements established in N.C.G.S. 143-6.2 and 09 NCAC 03M.0102-.0802. This notification is to be made annually and in writing. (This is accomplished through the contract process.)
- Is not authorized to disburse funds to grantees that are not in compliance with the reporting requirements for funds received during the prior fiscal year.
- Must also provide each grantee with the accounting forms and other reporting formats that have been prescribed by the Office of the State Auditor (OSA) and/or mandated by legislation. The OSA forms and instructions can be downloaded at http://www.ncauditor.net/NonProfitSite/forms.aspx
- Must develop compliance supplements that provide suggested audit procedures to independent auditors performing audits. This information is provided to the Local Government Commission within the Department of State Treasurer and published at http://www.treasurer.state.nc.us/SLG/frslg.htm

LIHEAP
Block Grant Management Plan
SFY07 Funding Request

Item #	Title	Requested SFY07	Required State Match	Required Local Match	Explanation of Difference Compared to SFY06 Allocation
Local Program Expenditures *(grouped by division, allocated by program)*					
Division of Social Services					
1	Low Income Energy Assistance Program (LIEAP)	$ 28,684,494	0%	0%	Increase in funding availability.
2	Crisis Intervention Program (CIP)	$ 20,831,114	0%	0%	Increase in funding availability. County allocation.
Office of the Secretary - Office of Economic Opportunity					
3	Weatherization Program	$ 9,431,545	0%	0%	Increase in funding availability.
4	Heating Air Repair & Replacement Program (HARRP)	$ 4,399,042	0%	0%	Increase in funding availability.
DHHS Program Expenditures *(grouped by division, allocated by program)*					
Local Administration *(grouped by division, allocated by local entity type)*					
Division of Social Services					
5	County DSS Administration	$2,057,992	0%	0%	Increase in funding availability.
Office of the Secretary - Office of Economic Opportunity					
6	Local Residential Energy Efficiency Service Providers - Weatherization	$257,185	0%	0%	Increase in funding availability.
	Local Residential Energy Efficiency Service Providers - HARRP	$119,955	0%	0%	
DHHS Administration *(by division)*					
7	Division of Social Services	$319,774	0%	0%	Increase in funding availability.
	Division of Mental Health/DD/SAS	$7,146	0%	0%	
	Office of the Secretary/DIRM	$245,395	0%	0%	
	Office of the Secretary/Controller's Office	$11,211	0%	0%	
	Office of the Secretary/Office of Economic Opportunity - Weatherization	$257,185	0%	0%	
	Office of the Secretary/Office of Economic Opportunity - HARRP	$119,955	0%	0%	

LIHEAP
Block Grant Management Plan
SFY07 Funding Request

Item #	Title	Requested SFY07	Required State Match	Required Local Match	Explanation of Difference Compared to SFY06 Allocation
Transfers to other State Agencies *(by agency name)*					
8	Department of Administration- N.C. Commission of Indian Affairs	$58,455	0%	0%	Increase in funding availability.
Transfers to other Block Grants *(by division, block grant and program name)*					
Division Name					
15	Transfer to BG Name for Program Name				
TOTAL		**$66,800,448**			

LIHEAP Block Grant Management Plan
Prior Year Appropriations and Expenditures

(Item Numbering Corresponds to SFY 07 Proposed Allocation #)

SFY 07 Alloc. Item #(s)	Funded Activities	Appropriated SFY04	Expended SFY04 *Note:1*	Appropriated SFY05	Expended SFY05 *Note:1*	Appropriated SFY06	Projected Expenditures SFY06	Requested SFY07	Difference
Division of Social Services									
1	Low Income Energy Assistance Program	$12,775,323	$15,721,112	$12,775,323	$13,532,783	$13,208,740	$13,208,740	$28,684,494	$15,475,754
2	Crisis Intervention Program	$9,192,927	$13,510,344	$9,192,927	$15,826,948	$9,592,387	$9,592,387	$20,831,114	$11,238,727
5	Administration (County DSS)	$2,957,339	$3,296,516	$2,957,339	$2,976,593	$1,930,734	$1,930,734	$2,057,992	$127,258
7	Administration	Included on line 5	Included on line 5	Included on line 5	Included on line 5	$300,000	$300,000	$319,774	$19,774
									$0
Division of Mental Health									$0
9	Administration	Included on line 5	Included on line 5	Included on line 5	Included on line 5	$7,146	$7,146	$7,146	$0
Office of the Secretary									$0
3	Office of Economic Opportunity - Weatherization Program	$4,212,740	$5,853,320	$4,212,740	$5,182,034	$4,343,072	$4,343,072	$9,431,545	$5,088,473
4	Replacement Program (HARRP)	$1,966,153	$2,742,235	$1,966,153	$2,588,484	$2,025,687	$2,025,687	$4,399,042	$2,373,355
6	Administration (Local Residential Energy Efficiency Service Providers)	Included on line 5	Included on line 5	Included on line 5	Included on line 5	$353,820	$353,820	$377,140	$23,320
7	Administration	Included on line 5	Included on line 5	Included on line 5	Included on line 5	$594,558	$594,558	$633,746	$39,188
Transfer to Other State Agencies									$0
8	Dept. of Administration-NC Commission of Indian Affairs	$54,840	$28,383	$54,840	$42,637	$54,840	$54,840	$58,455	$3,615
	TOTAL	$31,159,322	$41,151,910	$31,159,322	$40,149,479	$32,410,984	$32,410,984	$66,800,448	$34,389,464

Note 1: Expended amounts include block grant increases, emergency contigency funds, and carryforward as available.

LIHEAP Block Grant Management Plan
Coversheet for Program Summary Reports

Attached herein are Program Summary Reports for all of the locally and State administered programs supported by this block grant. Those programs include:

Program	Supervised/ Administered By
Low Income Energy Assistance Program	DSS
Crisis Intervention Program	DSS
Weatherization Assistance Program	OEO
Heating and Air Repair and Replacement Program	OEO

Note to Divisions: Program Summary Reports do not need to be attached when the Block Grant Management Plan is submitted to the Department, but please be sure that all Programs listed above are represented in the Program Management Database.

Detail of Non-Programmatic LIHEAP Block Grant Funding Requests, SFY07

Item #	Title	Requested Amount	Description of Proposed Use of Funds, Including Notes on Changes from SFY06 Allocation
Local Administration			
5	County DSS	$2,057,992	Cost of county Departments of Social Services for administering Low Income Energy Assistance and Crisis intervention Programs.
6	Local Residential Energy Efficiency Service Providers- Heating and Air Repair and Replacement Program	$257,185	Cost of Local Residential Energy Efficiency Service Providers in administering HARRP & Weatherization program funds.
	Local Residential Energy Efficiency Service Providers- Weatherization Assistance Program	$119,955	
DHHS Administration			
7	Division of Social Services	$319,774	Cost of administering the LIEAP and CIP programs.
	Division of Mental Health/DD/SAS	$7,146	Funds support a portion of DIRM's rent cost on the Dix Campus
	Central Management & Support/DIRM	$245,395	Cost of administering programs funds that includes functions/activities which are earned through cost allocation. DIRM costs include support for automation system used by county DSSs for LIEAP and CIP.
	Central Management & Support/Controller	$11,211	
	Central Management & Support/Office of Economic Opportunity - Weatherization	$257,185	Cost of administering the Weatherization & HARRP programs.
	Central Management & Support/Office of Economic Opportunity - HARRP	$119,955	
Transfers to other State Agencies			
8	Contract by DSS with DOA NC Commission of Indian Affairs	$58,455	Outreach/application-taking activities. Funds are provided to the Department of Administration, Commission on Indian Affairs for outreach and application taking activities for LIEAP performed by the Coharie Intra-Tribal Council, the Haliwa-Saponi Indian Tribe and the Waccamaw-Siouan Development Association. This line item is considered administration and is part of the 10% cap on administration calculation.
Transfers to other Block Grants			

New DHHS Positions to be Established with LIHEAP Block Grant Funds, SFY07

To Be Supported by SFY 07 Alloc. Item #(s)	Division/Office	Position Title	No. of Pos.	FTEs	Salary Grade	Salary for 1 FTE	Total Salary & Fringe	Pos Eff Date
	Division of Social Services		none					
	Division of Mental Health		none					
	Office of the Secretary		none					

Child Care and Development Fund Management Plan for SFY 2007
Overview and General Requirements

A. Goal or Purpose of Block Grant (as defined by federal funding agency)

The purpose of the Child Care and Development Fund (CCDF) is to improve the availability, quality, and affordability of child care. The CCDF grant assists low-income families, families receiving temporary public assistance, and those transitioning from public assistance in obtaining child care so they can work or attend training/education. Subsidized child care services are available to eligible families through vouchers with providers. Some CCDF funds are also used to improve the quality of child care.

B. Projected Federal Block Grant Funds Available

	Quality Funding	Services\ Administration Funding	Total Funding
Block Grant Fund Carry forward, FFY 05	$5,302,910	$0	$5,302,910
Block Grant Fund Carry forward, SFY06 (Projected)	$11,303,478	$3,000,000	$14,303,478
Federal Funds Available, 4th Qtr FFY06 (July 06 - Sept 06)	$5,086,740	$45,502,555	$50,589,295
Federal Funds Available, First 3 Quarters FFY07 (Oct 06 - June 07)	$13,258,579	$124,477,484	$137,736,063
Additional Funds to be Transferred In from other Block Grants	$0	$81,292,880	$81,292,880
Total Projected Federal Block Grant Funds Available, SFY06	**$34,951,707**	**$254,272,919**	**$289,224,626**

C. Federal Block Grant Financial Requirements

As provided by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, CCDF has three funding streams: Mandatory, Matching, and Discretionary. At least 70% of Mandatory and Matching funds must be used to provide child care assistance to families who are receiving TANF, transitioning from TANF, or at risk of becoming eligible for TANF. Discretionary funds are also used to provide assistance to low-income working families and for quality activities. In order to receive federal Matching funds, states must meet a maintenance of effort requirement, obligate Mandatory funds, and provide State funds at the Medicaid match rate. Administrative costs are limited to a maximum of 5% of the total CCDF allocation. At least 4% of CCDF funds and TANF transferred funds must be used to improve the quality and availability of child care.

A minimum of 4% of total CCDF expenditures must be spent on quality activities to improve the quality and availability of child care. This includes activities designed to provide consumer education to parents and to the public; activities that increase parental choice; and activities designed to improve the overall quality and availability of child care, such as child care resource and referral, grants or loans to child care providers, monitoring and enforcement, and training and technical assistance. In addition to the 4%, states must also spend designated amounts on earmarked activities (school-age care, infant/toddler care, child care resource and referral, and quality expansion).

D. Financial Audit Standards Assurance Statement

A state agency that receives state and federal funds and then disburses those funds to a grantee:

- Must notify each grantee, at the time the grant is made, of the purpose of the grant and of the reporting requirements established in N.C.G.S. 143-6.2 and 09 NCAC 03M.0102-.0802. This notification is to be made annua and in writing. (This is accomplished through the contract process.)
- Is not authorized to disburse funds to grantees that are not in compliance with the reporting requirements for funds received during the prior fiscal year.
- Must also provide each grantee with the accounting forms and other reporting formats that have been prescribed by the Office of the State Auditor (OSA) and/or mandated by legislation. The OSA forms and instructions can be downloaded at http://www.ncauditor.net/NonProfitSite/forms.aspx
- Must develop compliance supplements that provide suggested audit procedures to independent auditors performing audits. This information is provided to the Local Government Commission within the Department of State Treasurer and published at http://www.treasurer.state.nc.us/SLG/frslg.htm

Child Care Development Fund Management Plan
SFY07
Funding Request

Item #	Title	Requested SFY 07	Required State Match *	Required Local Match	Explanation of Difference Compared to SFY06 Allocation
Local Program Expenditures *(grouped by division, allocated by program)*					
Division of Child Development (DCD)					
1	Subsidized Child Care Services (CCDF)	$ 165,102,685	63.49% FFP for FFY 05-06 64.52% FFP for FFY 06-07 State match is required only for the CCDF Match portion of the Child Care Development Fund.*	0%	The amount requested for SFY 06-07 is $4,044,292 higher than the services funding level in the SFY 05-06 plan. One time funds budgeted in SFY 05-06 ($7.6M) have been offset by a net increase for services $3.7M ($4.9M at 75%)in non recurring funds in the FFY 05-06 in CCDF funds and $4.9M in recurring funds (25% FFY 2006 and 75% FFY 2007 CCDF block grant years), and $3M in anticipated carry forward funding.
2	Subsidized Child Care Services (TANF to CCDF)	$ 81,292,880	0%	0%	This amount is equal to the amount designated in SFY 05-06. An amount equal to 4% of these funds must be spent on child care quality initiatives per CCDF federal requirements. In SFY 06 listed as "Transfer from TANF Block Grant for child care subsidies". This adjustment will be made after certification. If the total TANF transfer to CCDF remains $81.3M services funding will be reduced by $3,25M.

* State match requirements total $29,973,079 for SFY 06-07. In addition, CCDF requires $37,927,282 in state child care expenditures as maintenance of effort. Combined state funding requirements for full draw down of CCDF will total $67,900,361.

Child Care Development Fund Management Plan
SFY07
Funding Request

Item #	Title	Requested SFY 07	Required State Match *	Required Local Match	Explanation of Difference Compared to SFY06 Allocation
DHHS Program Expenditures *(grouped by division, allocated by program)*					
Division of Child Development					
3	Quality and Availability Initiatives	$ 34,951,707	0%	0%	This amount is increased from SFY 05-06 requested levels primarily due to the inclusion of carry forward funding from previous CCDF awards. Total increase from SFY 05-06 Plan: $1,892,063 all of which is due to one-time funding designated for quality activities per federal CCDF regulations and due to the increase in CCDF allotted dollars. A total of $647,157of these funds will be required to ensure continuation funding for recurring quality initiatives.)
Local Administration *(grouped by division, allocated by local entity type)*					
Division of Child Development					
4	Administrative Expenses (Non-direct Subsidy Services Support)	$ 1,849,000	$ -	$ -	The amount shown is a slight increase to the amount for SFY 05-06. Combined local and DHHS administration represent 4.25% of federal CCDF funding. A share of this money goes to the counties for subsidy services support for overhead to cover eligibility determination cost. Any increase in subsidy services will increase the amount of funds for county services support.
DHHS Administration - *Division of Child Development*					
5	DCD Administrative Expenses	$ 6,028,354	0%	0%	Combined local and DHHS administration represent 4.25% of federal CCDF funding. Federal regulations allow for up to 5%.
Transfers to other State Agencies *(by agency name)*					
Transfers to other Block Grants *(by division, block grant and program name)*					
TOT		**$289,224,626**			

Child Care and Development Fund Block Grant Management Plan
Prior Year Appropriations and Expenditures

(Item Numbering Corresponds to SFY 07 Proposed Allocation #)

SFY 06 Alloc. Item #(s)	Funded Activities	Appropriated SFY04	Expended SFY04*	Appropriated SFY05	Expended SFY05*	Appropriated SFY06	Projected Expenditures SFY06	Requested SFY07	Difference
Division Name - Child Development									
1	Child Care Subsidies	$ 154,713,475	$ 166,485,286	$ 158,518,189	$ 158,518,189	$ 161,058,393	$ 158,058,393	$ 165,102,685	$ 4,044,292
2	Transfer from TANF Block Grant for Child Care Subsidies	$ 79,562,189	$ 84,462,189	$ 81,292,880	$ 81,292,880	$ 81,292,880	$ 81,292,880	$ 81,292,880	$ -
3	Quality and Availability Initiatives	$ 16,449,256	$ 17,922,767	$ 17,946,038	$ 21,444,634	$ 33,059,644	$ 16,453,256	$ 34,951,707	$ 1,892,063
4	Administrative Expenses (Non-direct Subsidy Services Support)	Included in item 5.	Included in item 5.	Included in item 5.	$ 1,856,955	$ 1,540,000	$ 1,540,000	$ 1,849,000	$ 309,000
5	DCD Administrative Expenses	$ 6,969,533	$ 5,898,684	$ 7,163,654	$ 5,013,180	$ 5,623,654	$ 5,623,654	$ 6,028,354	$ 404,700
Transfer to Other State Agencies									
Transfer to Other Block Grants									
	TOTAL	**$ 257,694,453**	**$ 274,768,926**	**$ 264,920,761**	**$ 268,125,838**	**$ 282,574,571**	**$ 262,968,183**	**$ 289,224,626**	**$ 6,650,055**

* Includes the expenditure of funds carried forward from the previous SFY and additional CCDF funds budgeted during the year made available from federal CCDF reallocation.

CCDF Block Grant Management Plan
Coversheet for Program Summary Reports

Attached herein are Program Summary Reports for all of the locally and State administered programs supported by this block grant. Those programs include:

Program	Supervised/ Administered By
Subsidized Child Care Services	DCD
Quality and Availability Initiatives	DCD

Note to Divisions: Program Summary Reports do not need to be attached when the Block Grant Management Plan is submitted to the Department, but please be sure that all Programs listed above are represented in the Program Management Database.

Detail of Non-Programmatic Child Care Development Fund Requests, SFY07

Item #	Title	Requested Amount	Description of Proposed Use of Funds, Including Notes on Changes from SFY05 Allocation
Local Administration			
4	Administrative Expenses (Non-direct Subsidy Services Support)	$1,849,000	This amount is the projected funding required to cover the indirect costs associated with local county departments of social services administration of the subsidized child care program at the local level
DHHS Administration			
5	DCD Administrative Expenses	$6,028,354	CCDF administrative funds are used for DCD administrative costs associated with child care monitoring improvement and DCD administrative costs to monitor the subsidy program. The CCDF regulations limit expenditures for administration to no more than 5% of the total grant. The recommended amount represents expected combined expenditures of 4.25% of the SFY CCDF funds for both local administration and DHHS administration. The calculation of the recommended amount for administrative expenses does not include the funds transferred from TANF or CCDF matching funds.
Transfers to other State Agencies			
Transfers to other Block Grants			

New DHHS Positions to be Established with Child Care Development Fund, SFY07

To Be Supported by SFY 06 Alloc. Item #(s)	Division/Office	Position Title	No. of Pos.	FTEs	Salary Grade	Salary for 1 FTE	Total Salary & Fringe	Pos Eff Date
4	DCD	Processing Assistant IV	3	3.0	59	$ 24,850	$ 96,900	7/1/2006
		Business Officer I	1	1.0	73	$ 48,776	$ 59,688	7/1/2006

Mental Health Block Grant Management Plan for SFY 2007
Overview and General Requirements

A. Goal or Purpose of Block Grant (as defined by federal funding agency)

The Mental Health Block Grant Plan provides federal financial assistance to states for the provision of community-based services for people with mental illness. Services provided through the use of the block grant must be those described in the State's Plan in accordance with Federal P.L. 102-321. These services include outpatient, day treatment, psychosocial rehabilitation, emergency services, residential services, etc. for adults and children. The funds may also be used for evaluating programs and services carried out under the plan and planning, administration, and educational activities related to providing services under the State Plan.

B. Projected Federal Block Grant Funds Available

Block Grant Fund Carryforward, SFY05	$2,141,483
Block Grant Fund Carryforward, SFY06 (Projected)	$0
Federal Funds Available, 4th Qtr FFY06 (July 06 - Sept 06)	$2,641,247
Federal Funds Available, First 3 Quarters FFY07 (Oct 06 - June 07)	$7,923,742
Additional Funds to be Transferred In from other Block Grants	$0
Total Projected Federal Block Grant Funds Available, SFY07	$12,706,472

C. Federal Block Grant Financial Requirements

The primary Federal requirements related to the Mental Health Block Grant are that funds must be used as specified within the States' Plan for Comprehensive Community Mental Health Services in accordance with P.L. 102-321, including community based services for adults with serious mental illness and children with serious emotional disturbance; for planning and evaluating programs and services carried out under the plan; for educational activities related to providing services under the plan; and for administration. The State must maintain a Maintenance of Effort requirement for State funded expenditures for mental health services at a level not less than the average of the preceding two year period and must expend an amount equal to that for services provided for children and adults. The State must also maintain a Children's Set-A-Side requirement at a level not less than the 1994 Mental Health Block Grant expenditures for services provided for children.

D. Financial Audit Standards Assurance Statement

A state agency that receives state and federal funds and then disburses those funds to a grantee:
- Must notify each grantee, at the time the grant is made, of the purpose of the grant and of the reporting requirements established in N.C.G.S. 143-6.2 and 09 NCAC 03M.0102-.0802. This notification is to be made annually and in writing. (This is accomplished through the contract process.)
- Is not authorized to disburse funds to grantees that are not in compliance with the reporting requirements for funds received during the prior fiscal year.
- Must also provide each grantee with the accounting forms and other reporting formats that have been prescribed by the Office of the State Auditor (OSA) and/or mandated by legislation. The OSA forms and instructions can be downloaded at http://www.ncauditor.net/NonProfitSite/forms.aspx
- Must develop compliance supplements that provide suggested audit procedures to independent auditors performing audits. This information is provided to the Local Government Commission within the Department of State Treasurer and published at http://www.treasurer.state.nc.us/SLG/frslg.htm

Mental Health Block Grant Management Plan
SFY07 Funding Request

Item #	Title	Requested SFY07	Required State Match	Required Local Match	Explanation of Difference Compared to SFY06 Allocation
Local Program Expenditures *(grouped by division, allocated by program)*					
Division Name					
1	Mental Health Services - Adult	$7,184,481	0	0	Increased availability ($201,279) from SFY 06 Allocation due to realignment from Administration Item #4. With cost allocation, DMHDDSAS is able to support Administrative cost from a variety of other funding sources which freed up funds to move to Adult Mental Health Services. Also, contract dollars previously included within the Administration line have been moved from item #4 to provide more support for community-based mental health services for adults.
2	Mental Health Services - Child	$3,921,991	0	0	No Change from SFY 06.
3	Comprehensive Treatment Service Program	$1,500,000	0	0	No Change from SFY 06.
DHHS Program Expenditures *(grouped by division, allocated by program)*					
Division Name					
	N/A				
Local Administration *(grouped by division, allocated by local entity type)*					
Division Name					
	N/A				
4	Division of Mental Health	$100,000	0	0	Total reduction of $468,911 from previous year. This reduction includes $201,279 moved from Administration to Adult Mental Health Services #1, and a reduction of $267,632 in the SFY07 MH Block Grant Management Plan is taken in this line. Note: The MHBG allows budgeting up to a 5% administrative CAP. However, due to cost allocation, the Division is able to support Admin. cost from a variety of other funding sources which makes MHBG funds available to realign to support more services within the community. Also, contract dollars previously included within the Administration line have been moved to the service line.
Transfers to other State Agencies *(by agency name)*					
	N/A				
Transfers to other Block Grants *(by division, block grant and program name)*					
Division Name					
	N/A				
TOTAL		**$12,706,472**			

Mental Health Block Grant Management Plan
Prior Year Appropriations and Expenditures

(Item Numbering Corresponds to SFY 07 Proposed Allocation #)

SFY 07 Alloc. Item #(s)	Funded Activities	Appropriated SFY04	Expended SFY04	Appropriated SFY05	Expended SFY05	Appropriated SFY06	Projected Expenditures SFY06	Requested SFY07	Difference
Division of Mental Health, Developmental Disabilities and Substance Abuse Services									
1	Provision of community-based services for severe and persistently mentally ill adults	$ 5,657,798	$ 5,605,899	$ 6,307,035	$ 6,191,474	$ 6,983,202	$ 6,983,202	$ 7,184,481	$ 201,279
2	Provision of community-based service to children	$ 2,513,141	$ 2,363,095	$ 3,921,991	$ 2,394,310	$ 3,921,991	$ 3,921,991	$ 3,921,991	$ -
3	Comprehensive Treatment Services Program for Children	$ 1,500,000	$ -	$ 1,500,000	$ 2,025,000	$ 1,500,000	$ 1,500,000	$ 1,500,000	$ -
Central Management & Support									
	N/A								
Departmental Administration									
4	Division of Mental Health	$ 568,911	$ 634,684	$ 568,911	$ 46,871	$ 568,911	$ 568,911	$ 100,000	$ (468,911)
Transfer to Other State Agencies									
	N/A								
Transfer to Other Block Grants									
	N/A								
	TOTAL	**$ 10,239,850**	**$ 8,603,678**	**$ 12,297,937**	**$ 10,657,655**	**$ 12,974,104**	**$ 12,974,104**	**$ 12,706,472**	$ (267,632)

Mental Health Block Grant Management Plan
Coversheet for Program Summary Reports

Attached herein are Program Summary Reports for all of the locally and State administered programs supported by this block grant. Those programs include:

Program	Supervised/ Administered By
Mental Health Services - Adult	DMHDDSAS
Mental Health Services - Child	DMHDDSAS
Comprehensive Treatment Services Program	DMHDDSAS

Detail of Non-Programmatic Mental Health Block Grant Funding Requests, SFY07

Item #	Title	Requested Amount	Description of Proposed Use of Funds, Including Notes on Changes from SFY06 Allocation
Local Administration			
	N/A		
DHHS Administration			
4	Division of Mental Health	$100,000	These funds continue to support administrative functions/activities within DMHDDSAS and include costs associated with positions which are earned through cost allocation.
Transfers to other State Agencies			
	N/A		
Transfers to other Block Grants			
	N/A		

New DHHS Positions to be Established with Mental Health Block Grant Funds, SFY07

To Be Supported by SFY 07 Alloc. Item #(s)	Division/Office	Position Title	No. of Pos.	FTEs	Salary Grade	Salary for 1 FTE	Total Salary & Fringe	Pos Eff Date
	N/A							

Substance Abuse Prevention & Treatment Performance Partnership Block Grant Management Plan for SFY 2007

Overview and General Requirements

A. Goal or Purpose of Block Grant (as defined by federal funding agency)

The Children's Health Act of 2000 reauthorized programs within the jurisdiction of the Substance Abuse and Mental Health Services Administration (SAMHSA), to improve substance abuse services for children and adolescents and to implement proposals to use block grant funds with accountability based on performance. The purpose of this program is to provide funds to states for the provision of prevention and treatment services for children and adults.

B. Projected Federal Block Grant Funds Available

Block Grant Fund Carryforward, SFY05	7,678,171
Block Grant Fund Carryforward, SFY06 (Projected)	0
Federal Funds Available, 4th Qtr FFY06 (July 06 - Sept 06)	9,625,953
Federal Funds Available, First 3 Quarters FFY07 (Oct 06 - June 07)	28,877,860
Additional Funds to be Transferred In from other Block Grants	0
Total Projected Federal Block Grant Funds Available, SFY07	$46,181,984

C. Federal Block Grant Financial Requirements

States are required to maintain aggregate state expenditures for substance abuse prevention and treatment services at the average of what is spent over the past two years. States are required to use 20% of their allotment for primary prevention. States are required to maintain financial commitment to services for pregnant addicts and women with children and to give preferential treatment to pregnant addicts.

D. Financial Audit Standards Assurance Statement

A state agency that receives state and federal funds and then disburses those funds to a grantee:

- Must notify each grantee, at the time the grant is made, of the purpose of the grant and of the reporting requirements established in N.C.G.S. 143-6.2 and 09 NCAC 03M.0102-.0802. This notification is to be made annually and in writing. (This is accomplished through the contract process.)
- Is not authorized to disburse funds to grantees that are not in compliance with the reporting requirements for funds received during the prior fiscal year.
- Must also provide each grantee with the accounting forms and other reporting formats that have been prescribed by the Office of the State Auditor (OSA) and/or mandated by legislation. The OSA forms and instructions can be downloaded at http://www.ncauditor.net/NonProfitSite/forms.aspx
- Must develop compliance supplements that provide suggested audit procedures to independent auditors performing audits. This information is provided to the Local Government Commission within the Department of State Treasurer and published at http://www.treasurer.state.nc.us/SLG/frslg.htm

Substance Abuse Prevention and Treatment Performance Partnership
Block Grant Management Plan
SFY07 Funding Request

Item #	Title	Requested SFY07	Required State Match	Required Local Match	Explanation of Difference Compared to SFY06 Allocation
Local Program Expenditures *(grouped by division, allocated by program)*					
Division Name					
1	Substance Abuse Services - Adult	$20,537,390	0	0	Increased availability of $96,308 from SFY 06 Allocation due to realignment from Administration Item #10. With cost allocation, the Division of Mental Health is able to support administrative cost from a variety of other funding sources thus making SAPTBG funds available to be realigned to support more service activity within the community. In addition, contract dollars previously included within the administrative line have been realigned from Administration to this service line to reflect its role in supporting service needs.
2	Substance Abuse Treatment Alternatives for Women	$8,069,524	0	0	No Change from SFY 06.
3	Substance Abuse-HIV and IV Drug	$4,816,378	0	0	No Change from SFY 06.
4	Substance Abuse Prevention-Child	$5,835,701	0	0	No Change from SFY 06.
5	Substance Abuse Services - Child	$4,940,500	0	0	No Change from SFY 06.
6	Substance Abuse Strengthening Families-Prevention	$851,156	0	0	No Change from SFY 06.
Division of Public Health					No Change from SFY 06.
7	Risk Reduction Projects	$383,980	0	0	No Change from SFY 06.
8	Aid-to-Counties	$209,576	0	0	No Change from SFY 06.
9	Maternal Health	$37,779	0	0	No Change from SFY 06.
DHHS Program Expenditures *(grouped by division, allocated by program)*					
Division Name					
	N/A				
Local Administration *(grouped by division, allocated by local entity type)*					
Division Name					
	N/A				
DHHS Administration *(by division)*					
10	Division of Mental Health	$500,000	0	0	The reduction ($2,096,307) in the administrative line item is twofold: 1)Reduction overall in the SAPT Block Grant Award for FFY07 of $1,999,999 and 2) Internal Realignment of Funds of $96,308 to Substance Abuse Services Item #1. The SAPT Block Grant allows budgeting up to a 5% administrative CAP. Due to cost allocation, the Division of Mental Health is able to support administrative cost from a variety of other funding sources thus making SAPTBG funds available to be realigned to support more service activity within the community. In addition, contract dollars previously included within the administrative line have been realigned to the services lines to reflect its role in supporting service needs.
Transfers to other State Agencies *(by agency name)*					
	N/A				
Transfers to other Block Grants *(by division, block grant and program name)*					
Division Name					
	N/A				
TOTAL		**$46,181,984**			

Substance Abuse Prevention and Treatment Performance Block Grant Management Plan
Prior Year Appropriations and Expenditures
(Item Numbering Corresponds to SFY 07 Proposed Allocation #)

SFY 07 Alloc. Item #(s)	Funded Activities	Appropriated SFY04	Expended SFY04	Appropriated SFY05	Expended SFY05	Appropriated SFY06	Projected Expenditures SFY06	Requested SFY07	Difference
Division of Mental Health, Developmental Disabilities and Substance Abuse Services									
1	Provision of community-based alcohol and drug abuse services, tuberculosis services, and services provided by the Alcohol and Drug Abuse Treatment Centers	$ 18,901,711	$ 12,176,759	$ 20,441,082	$ 13,559,694	$ 20,441,082	$ 20,441,082	$ 20,537,390	$ 96,308
2	Continuation of services for pregnant women and women with dependent children	$ 8,069,524	$ 5,635,549	$ 8,069,524	$ 7,873,525	$ 8,069,524	$ 8,069,524	$ 8,069,524	$ -
3	Continuation of services to IV drug abusers and others at risk for HIV diseases	$ 4,616,378	$ 4,410,961	$ 4,816,378	$ 4,045,941	$ 4,816,378	$ 4,816,378	$ 4,816,378	$ -
4	Child Substance Abuse-Prevention	$ -	$ 5,350,384	$ 5,835,701	$ 6,487,180	$ 5,835,701	$ 5,835,701	$ 5,835,701	$ -
5	Provision of services to children and adolescents	$ 7,740,611	$ 4,381,878	$ 4,940,500	$ 3,904,187	$ 4,940,500	$ 4,940,500	$ 4,940,500	$ -
6	Juvenile Services - Family Focus	$ 851,156	$ 704,168	$ 851,156	$ 368,445	$ 851,156	$ 851,156	$ 851,156	$ -
Division of Public Health									
7	Allocation to the Division of Public Health for HIV/STD Risk Reduction Projects	$ 383,980	$ 363,701	$ 383,980	$ 409,905	$ 383,980	$ 383,980	$ 383,980	$ -
8	Allocation to the Division of Public Health for HIV/STD Prevention by County Health Departments	$ 209,576	$ 201,004	$ 209,576	$ 92,017	$ 209,576	$ 209,576	$ 209,576	$ -
9	Allocation to the Division of Public Health for the Maternal and Child Health Hotline	$ 37,779	$ -	$ 37,779	$ 35,921	$ 37,779	$ 37,779	$ 37,779	$ -
Central Management & Support									
	N/A								
Departmental Administration									
10	Division of Mental Health	$ 2,596,307	$ 4,077,555	$ 2,596,307	$ 219,908	$ 2,596,307	$ 2,596,307	$ 500,000	$ (2,096,307)
Transfer to Other State Agencies									
	N/A								
Transfer to Other Block Grants									
	N/A								
	TOTAL	**$ 43,407,022**	**$ 37,301,959**	**$ 48,181,983**	**$ 36,996,723**	**$ 48,181,983**	**$ 48,181,983**	**$ 46,181,984**	$ (1,999,999)

Substance Abuse Prevention & Treatment Performance Partnership Block Grant Management Plan for SFY 2007 Coversheet for Program Summary Reports

Attached herein are Program Summary Reports for all of the locally and State administered programs supported by this block grant. Those programs include:

Program	Supervised/ Administered By
Substance Abuse Services - Adult	DMHDDSAS
Substance Abuse Services - Child	DMHDDSAS
Substance Abuse Treatment Alternatives for Women	DMHDDSAS
Substance Abuse HIV and IV Drug	DMHDDSAS
Substance Abuse Prevention - Child	DMHDDSAS
Substance Abuse Strengthening Families-Prevention	DMHDDSAS
Risk Reduction Projects	DPH
Aid-to-Counties	DPH
Maternal Health	DPH

Detail of Non-Programmatic Substance Abuse Prevention and Treatment Performance Block Grant Funding Requests, SFY07

Item #	Title	Requested Amount	Description of Proposed Use of Funds, Including Notes on Changes from SFY06 Allocation
Local Administration			
	N/A		
DHHS Administration			
10	Division of Mental Health	$500,000	These funds support administrative functions/activities within DMHDDSAS and include costs associated with positions which are earned through cost allocation.
Transfers to other State Agencies			
	N/A		
Transfers to other Block Grants			
	N/A		

New DHHS Positions to be Established with Substance Abuse Prevention and Treatment Performance Block Grant Funds, SFY07

To Be Supported by SFY 07 Alloc. Item #(s)	Division/Office	Position Title	No. of Pos.	FTEs	Salary Grade	Salary for 1 FTE	Total Salary & Fringe	Pos Eff Date
	N/A							

Maternal and Child Health Block Grant Management Plan for SFY 2007
Overview and General Requirements

A. Goal or Purpose of Block Grant (as defined by federal funding agency)

To enable States to maintain and strengthen their leadership in planning, promoting, coordinating and evaluating health care for pregnant women, mothers, infants, and children and children with special health care needs in providing health services for mothers and children who do not have access to adequate health care.

B. Projected Federal Block Grant Funds Available

Block Grant Fund Carryforward, SFY05	$	2,195,798
Block Grant Fund Carryforward, SFY06 (Projected)	$	-
Federal Funds Available, 4th Qtr FFY06 (July 06 - Sept 06)	$	4,203,310
Federal Funds Available, First 3 Quarters FFY07 (Oct 06 - June 07)	$	12,609,930
Additional Funds to be Transferred In from other Block Grants	$	-
Total Projected Federal Block Grant Funds Available, SFY07	$	19,009,038

C. Federal Block Grant Financial Requirements

1. There is a 10% cap on administrative costs
2. For every four federal dollars expended, the state must match three dollars. For budget and federal draw purposes, this is computed as 57.14% federal and 42.86% state match.
3. There is a maintenance of effort requirement for this grant. The state must demonstrate that it budgets a fixed amount of state dollars equivalent to the 1989 amount for maternal and child health. This amount is $29,063,379.

D. Financial Audit Standards Assurance Statement

A state agency that receives state and federal funds and then disburses those funds to a grantee:
- Must notify each grantee, at the time the grant is made, of the purpose of the grant and of the reporting requirements established in N.C.G.S. 143-6.2 and 09 NCAC 03M.0102-.0802. This notification is to be made annually and in writing. (This is accomplished through the contract process.)
- Is not authorized to disburse funds to grantees that are not in compliance with the reporting requirements for funds received during the prior fiscal year.
- Must also provide each grantee with the accounting forms and other reporting formats that have been prescribed by the Office of the State Auditor (OSA) and/or mandated by legislation. The OSA forms and instructions can be downloaded at http://www.ncauditor.net/NonProfitSite/forms.aspx
- Must develop compliance supplements that provide suggested audit procedures to independent auditors performing audits. This information is provided to the Local Government Commission within the Department of State Treasurer and published at http://www.treasurer.state.nc.us/SLG/frslg.htm

Maternal and Child Health Block Grant Plan
SFY07 Funding Request

Item #	Title	Requested SFY07	Required State Match	Required Local Match	Explanation of Difference Compared to SFY06 Allocation
Local Program Expenditures *(grouped by division, allocated by program)*					
Division of Public Health					
1	Healthy Mothers/Healthy Children	$9,359,236	$ 7,020,246	$ -	no change
2	Children's Health Services	$4,114,216	$ 3,086,022	$ -	exclusion of funds ($3,250,000) for time-limited school nurse positions
3	Healthy Beginnings	$404,559	$ 303,455	$ -	no change
4	Maternal Health	$397,761	$ 298,356	$ -	no change
5	Teen Pregnancy Prevention Initiatives	$85,710	$ 64,290	$ -	no change
DHHS Program Expenditures *(grouped by division, allocated by program)*					
Division of Public Health					
6	Children's Health Services	$3,149,826	$ 2,362,645	$ -	one time funds for promotion of child care systems of care, including children with special health care needs; prevetion of child maltreatment; promotion of optimal behavioral health services for children and families
7	Maternal Health	$185,488	$ 139,132	$ -	one time funds for SIDS education, preconceptual care training, Maternal Outreach Workers (MOW) training and operating expenses for regional staff
8	State Center for Health Statistics	$29,432	$ 22,077	$ -	legislative increases for the positions or other minor adjustments
9	Local Technical Assistance & Training	$47,424	$ 35,572	$ -	
10	Injury and Violence Prevention	$149,438	$ 112,092	$ -	
11	Office of Minority Health	$98,236	$ 73,686	$ -	
12	Special Supplemental Nutrition Prog for Women, Infants and Children (WIC)	$22,856	$ 17,144	$ -	adjusted to actual need for vitamin D drops
13	Immunization Program-Vaccine Distribution	$414,175	$ 310,667	$ -	adjusted to actual need for 06-07.

Maternal and Child Health Block Grant Plan
SFY07 Funding Request

Item #	Title	Requested SFY07	Required State Match	Required Local Match	Explanation of Difference Compared to SFY06 Allocation
Local Administration *(grouped by division, allocated by local entity type)*					
DHHS Administration *(by division)*					
14	Division of Public Health Administration	$550,681	$ 413,059	$ -	Indirect cost increase
Transfers to other State Agencies *(by agency name)*					
Transfers to other Block Grants *(by division, block grant and program name)*					
TOTAL		**$19,009,038**			

Maternal and Child Health Block Grant Management Plan
Prior Year Appropriations and Expenditures

(Item Numbering Corresponds to SFY 07 Proposed Allocation #)

HB 1414 Item#	SB622 Item#	SFY 07 Alloc. Item #(s)	Funded Activities	Appropriated SFY04	Expended SFY04	Appropriated SFY05	Expended SFY05	Appropriated SFY06	Projected Expenditures SFY06	Requested SFY07	Difference
Division Name:		Public Health									
1	1	1	Healthy Mothers/Healthy Children Block Grants to Aid-to-County	$ 9,838,074	$ 9,285,781	$ 9,565,205	$ 9,342,682	$ 9,359,236	$ 9,359,236	$ 9,359,236	$ -
2			High Risk Maternity Clinic Services, Perinatal Education and Training, Childhood Injury Prevention, Public Information and Education, and Technical Assistance to Local Health Departments, Office of Women's Health	$ 2,307,918	$ 1,704,134	$ 2,207,273	$ 1,655,277				
			Services to Children with Special Health Care Needs	$ 5,078,647	$ 5,076,471	$ -	$ -				
3	14	5	Adolescent Pregnancy Prevention of NC			$ 150,000	$ 150,000	$ 85,710	$ 85,710	$ 85,710	$ -
4			Office of Minority Health			$ 159,000	$ 87,979				
5			Services to Children with Special Health Care Needs			$ 4,280,987	$ 4,027,692				
6			School Health Nurse Initiative			$ 3,250,000	$ 2,521,511				
6			School Health Nurse Initiative Reserve			$ 3,250,000	$ -				
7			Administration and Program Support			$ 2,434,303	$ 2,001,956				
	2	2	Children's Health Services Aid-to-County					$ 7,364,216	$ 7,364,216	$ 4,114,216	$ (3,250,000)
	3	3	Healthy Beginnings Aid-to-County					$ 404,559	$ 404,559	$ 404,559	$ -
	4	4	Maternal Health Aid-to-County					$ 397,761	$ 397,761	$ 397,761	$ -
	5	6	Children's Health Services					$ 2,836,028	$ 2,836,028	$3,149,826	$ 313,798
	6	7	Office of Women's Health and Maternal Health Activities					$ 114,063	$ 114,063	$185,488	$ 71,425
	7	8	State Center for Health Statistics					$ 28,874	$ 28,874	$ 29,432	$ 558
	8	9	Local Technical Assistance & Training					$ 46,866	$ 46,866	$ 47,424	$ 558
	9	10	Injury and Violence Prevention					$ 149,438	$ 149,438	$ 149,438	$ -
	10	11	Office of Minority Health					$ 99,352	$ 99,352	$ 98,236	$ (1,116)
	11	12	Special Supplemental Nutrition Program for Women, Infants and Children (WIC)					$ 25,713	$ 25,713	$22,856	$ (2,857)
	12	13	Immunization Program – Vaccine Distribution					$ 819,997	$ 819,997	$ 414,175	$ (405,822)
	13	14	Division of Public Health Administration					$ 475,282	$ 475,282	$ 550,681	$ 75,399
Transfer to Other State Agencies											$ -
											$ -
Transfer to Other Block Grants											$ -
											$ -
			TOTAL	$ 17,224,639	$ 16,066,386	$ 25,296,768	$ 19,787,097	$ 22,207,095	$ 22,207,095	$ 19,009,038	$ (3,198,057)

Maternal and Child Health Block Grant Management Plan for SFY 2007
Coversheet for Program Summary Reports

Attached herein are Program Summary Reports for all of the locally and State administered programs supported by this block grant. Those programs include:

Programs	Supervised/ Administered By
Local health department/community based Maternal and Child Health Programs	
Healthy Mothers/Healthy Children	local health departments
Children's Health Services	local health departments and community organizations
Healthy Beginnings	local health departments and community organizations
Maternal Health	tertiary medical centers
Teen Pregnancy Prevention Initiatives	private non-profit organization
Division of Public Health Maternal and Child Health Programs	
Children's Health Services	Division of Public Health
Maternal Health	Division of Public Health
State Center for Health Statistics	Division of Public Health
Local Technical Assistance & Training	Division of Public Health
Injury and Violence Prevention	Division of Public Health
Office of Minority Health	Division of Public Health
Special Supplemental Nutrition Prog for Women, Infants and Children (WIC)	Division of Public Health
Immunization Program-Vaccine Distribution	Division of Public Health

Detail of Non-Programmatic Maternal and Child Health Block Grant Funding Requests, SFY07

Item #	Title	Requested Amount	Description of Proposed Use of Funds, Including Notes on Changes from SFY06 Allocation
Local Administration			
DHHS Administration			
14	Division of Public Health Administration	$550,681	Funds will support positions in administrative roles in the Division of Public Health-Administrative, Community and Local Support Section and Women's and Children's Health Section and related operating expenses. In addition indirect costs are included at 11.2% of budgeted salaries. This allocation will increase largely due to an increase in the division's indirect cost rate.
Transfers to other State Agencies			
Transfers to other Block Grants			

NC DHHS Positions to be Established with Maternal and Child Health Block Grant Funds, SFY 07

To Be Supported by SFY 07 Alloc. Item #(s)	Division/Office	Position Title	No. of Pos.	FTEs	Salary Grade	Salary for 1 FTE	Total Salary & Fringe	Pos Eff Date
	Division of Public Health		NONE					

PHHS Block Grant Management Plan for SFY 2007
Overview and General Requirements

A. Goal or Purpose of Block Grant (as defined by federal funding agency)

The purpose of the Preventive Health and Health Services (PHHS) Block Grant is to provide states with the resources to improve the health status of the population through: (1) addressing Healthy People 2010 objectives; (2) rodent control; (3)community-school fluoridation activities; (4) emergency medical services; (5) services for sex offense victims including prevention activities; and (6) for related administration, education, monitoring and evaluation activities.

B. Projected Federal Block Grant Funds Available

Block Grant Fund Carryforward, SFY05	-108,404
Block Grant Fund Carryforward, SFY06 (Projected)	
Federal Funds Available, 4th Qtr FFY06 (July 06 - Sept 06)	695,917
Federal Funds Available, First 3 Quarters FFY07 (Oct 06 - June 07)	2,087,751
Additional Funds to be Transferred In from other Block Grants	145,819
Total Projected Federal Block Grant Funds Available, SFY07	$2,821,083

C. Federal Block Grant Financial Requirements

Federal Appropriations Law, Section 1904(a)1 describes allowable uses of Block Grant funds (see Section A) and 1904(b) describes what funds may not be used for. Nonallowable expenses include payment for inpatient services, cash payments to recipients of health services, new construction or maintenance of buildings or major medical equipment, as a match for federal funds, or for assistance to any non public or for profit entity. Administrative costs cannot exceed 10% of the grant. Funds can be spent during a two year period.

D. Financial Audit Standards Assurance Statement

A state agency that receives state and federal funds and then disburses those funds to a grantee:
- Must notify each grantee, at the time the grant is made, of the purpose of the grant and of the reporting requirements established in N.C.G.S. 143-6.2 and 09 NCAC 03M.0102-.0802. This notification is to be made annually and in writing. (This is accomplished through the contract process.)
- Is not authorized to disburse funds to grantees that are not in compliance with the reporting requirements for funds received during the prior fiscal year.
- Must also provide each grantee with the accounting forms and other reporting formats that have been prescribed by the Office of the State Auditor (OSA) and/or mandated by legislation. The OSA forms and instructions can be downloaded at http://www.ncauditor.net/NonProfitSite/forms.aspx
- Must develop compliance supplements that provide suggested audit procedures to independent auditors performing audits. This information is provided to the Local Government Commission within the Department of State Treasurer and published at http://www.treasurer.state.nc.us/SLG/frslg.htm

PHHS Block Grant Management Plan
SFY07 Funding Request

Item #	Title	Requested SFY07	Required State Match	Required Local Match	Explanation of Difference Compared to SFY07 Allocation
Local Program Expenditures *(grouped by division, allocated by program)*					
Division Name					
1	NC Statewide Health Promotion	$1,755,653	0	0	Due to Federal reductions this item was reduced by ($1,016,64).
2	Services to Rape Victims	$197,112	0	0	No change from SFY 06 funding
3	HIV/STD Prevention and Community Planning **(Transfer from SSBG)**	$145,819	0	0	No change from SFY 06 funding
DHHS Program Expenditures *(grouped by division, allocated by program)*					
Division Name					
4	NC Statewide Health Promotion	$431,444	0	0	Carryover funding has been reduced by $628,319 when compared to the prior year. A great portion of this is represented by a reduction of $387,527 in operating expense budget for program staff. LI increases and a reduced number of funded positions account for an additional decrease to this line of $62,255.
5	Oral Health	$114,251	0	0	Due to overall decrease in Block Grant funding, the Oral Health program budget has been reduced by $20,000.
6	Osteoporosis Program	$67,593	0	0	Program has been reduced to fund one position. Operating expenses are eliminated. Net reduction is - $82,407
Local Administration *(grouped by division, allocated by local entity type)*					

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PHHS Block Grant Management Plan
SFY07 Funding Request

Item #	Title	Requested SFY07	Required State Match	Required Local Match	Explanation of Difference Compared to SFY07 Allocation
DHHS Administration *(by division)*					
7	Division of Public Health	$109,211	0	0	Item includes funding for administration activities, only as defined by the Feds. Decrease in rent budget is ($23,896) due to a reduction in funded FTE's. Includes an increase due to LI and fringe adjustments.
Transfers to other State Agencies *(by agency name)*					
Transfers to other Block Grants *(by division, block grant and program name)*					
TOTAL		**$2,821,083**			

Preventive Health and Health Services Block Grant Management Plan
Prior Year Appropriations and Expenditures

(Item Numbering Corresponds to SFY 07 Proposed Allocation #)

SFY 07 Alloc. Item #(s)	Funded Activities	Appropriated SFY04	Expended SFY04	Appropriated SFY05	Expended SFY05	Appropriated SFY06	Projected Expenditures SFY06	Requested SFY07	Difference
Division of Public Health									
1	NC Statewide Health Promotion	$ 3,123,810	$ 3,156,780	$ 3,351,821	$ 3,112,208	$ 3,653,520	$ 2,910,250	$ 2,187,097	$ (1,466,423)
2	Services to Rape Victims	$ 197,112	$ 289,584	$ 197,112	$ 140,910	$ 197,112	$ 197,112	$ 197,112	$ -
3	HIV/STD Prevention and Community Planning, (Transfer from SSBG)	$ 145,819	$ 105,989	$ 145,819	$ 143,373	$ 145,819	$ 145,819	$ 145,819	$ -
4	Osteoporosis Program	$ 150,000	$ 257,492	$ 150,000	$ 161,006	$ 150,000	$ 2,100	$ 67,593	$ (82,407)
5	Oral Health					$ 134,251	$ 134,251	$ 114,251	$ (20,000)
	Office of Minority Health	$ 159,459	$ 151,608						
6	Administration	$ 108,546	$ 109,860	$ 119,565	$ 122,977	$ 121,271	$ 121,271	$ 109,211	$ (12,060)
Transfer to Other State Agencies									
Transfer to Other Block Grants									
	TOTAL	**$ 3,884,746**	**$ 4,071,313**	**$ 3,964,317**	**$ 3,680,474**	**$ 4,401,973**	**$ 3,510,803 ****	**$ 2,821,083**	$ (1,580,890)

** The Block Grant award for FFY06 has been reduced to $2,783,669. This represents a decrease of $952,570 or 26% of the award certified for FFY05.

Preventive Health and Health Services Block Grant Management Plan
Coversheet for Program Summary Reports

Attached herein are Program Summary Reports for all of the locally and State administered programs supported by this block grant. Those programs include:

Program	Supervised/ Administered By
NC Statewide Health Promotion Program	LOCAL & DPH
Oral Health	DPH
Rape Crisis/Victim Services Program	DPH
HIV/STD Prevention and Community Planning (**Transfer from SSBG**)	DPH
Osteoporosis	DPH

Note to Divisions: Program Summary Reports do not need to be attached when the Block Grant Management Plan is submitted to the Department, but please be sure that all Programs listed above are represented in the Program Management Database.

Detail of Non-Programmatic Preventive Health and Health Services Block Grant Funding Requests, SFY07

Item #	Title	Requested Amount	Description of Proposed Use of Funds, Including Notes on Changes from SFY06 Allocation
Local Administration			
DHHS Administration			
7	Division of Public Health	$109,211	Administrative costs and includes the salary and fringes of 1.00 FTE Information and Technology staff and rent expense of $25,128.
Transfers to other State Agencies			
Transfers to other Block Grants			

New DHHS Positions to be Established with (Insert Name) Block Grant Funds, SFY07

To Be Supported by SFY 07 Alloc. Item #(s)	Division/Office	Position Title	No. of Pos.	FTEs	Salary Grade	Salary for 1 FTE	Total Salary & Fringe	Pos Eff Date
	Division of Public Health		NONE					

Community Services Block Grant Management Plan for SFY 2007
Overview and General Requirements

A. Goal or Purpose of Block Grant (as defined by federal funding agency)

The objective of the Community Services Block Grant (CSBG) program is to provide assistance to a network of community-based organizations for programs and services to ameliorate the causes and consequences of poverty and to revitalize low-income communities. CSBG can be used to fund programs and other activities that assist low-income individuals and families to attain self-sufficiency, provide emergency assistance, support positive youth development, promote civic engagement, and improve the organization infrastructure for planning and coordination among multiple resources that address poverty conditions in the community.

B. Projected Federal Block Grant Funds Available

Block Grant Fund Carryforward, SFY05	252,963
Block Grant Fund Carryforward, SFY06 (Projected)	-
Federal Funds Available, 4th Qtr FFY06 (July 06 - Sept 06)	4,116,307.00
Federal Funds Available, First 3 Quarters FFY07 (Oct 06 - June 07)	12,348,918.00
Additional Funds to be Transferred In from other Block Grants	-
Total Projected Federal Block Grant Funds Available, SFY07	16,718,188.00

C. Federal Block Grant Financial Requirements

The State must use at least 90 percent of the allotted funds for subgrants to eligible entities (42 USC 9907(a)(1)). State administrative expenses, including monitoring activities, may not exceed 5 percent of CSBG funds.

D. Financial Audit Standards Assurance Statement

A state agency that receives state and federal funds and then disburses those funds to a grantee:
- Must notify each grantee, at the time the grant is made, of the purpose of the grant and of the reporting requirements established in N.C.G.S. 143-6.2 and 09 NCAC 03M.0102-.0802. This notification is to be made annually and in writing. (This is accomplished through the contract process.)
- Is not authorized to disburse funds to grantees that are not in compliance with the reporting requirements for funds received during the prior fiscal year.
- Must also provide each grantee with the accounting forms and other reporting formats that have been prescribed by the Office of the State Auditor (OSA) and/or mandated by legislation. The OSA forms and instructions can be downloaded at http://www.ncauditor.net/NonProfitSite/forms.aspx
- Must develop compliance supplements that provide suggested audit procedures to independent auditors performing audits. This information is provided to the Local Government Commission within the Department of State Treasurer and published at http://www.treasurer.state.nc.us/SLG/frslg.htm

Community Services Block Grant Management Plan
SFY07 Funding Request

Item #	Title	Requested SFY07	Required State Match	Required Local Match	Explanation of Difference Compared to SFY06 Allocation
Local Program Expenditures *(grouped by division, allocated by program)*					
Office of Economic Opportunity-Community Services Block Grant					
1	Community Action Agencies	$15,071,666			
2	Limited Purpose Agencies	$823,261			Reduction in Federal Funding
DHHS Program Expenditures *(grouped by division, allocated by program)*					
Local Administration *(grouped by division, allocated by local entity type)*					
DHHS Administration *(by division)*					
3	Office of Economic Opportunity	$823,261			Reduction in Federal Funding
Transfers to other State Agencies *(by agency name)*					
Transfers to other Block Grants *(by division, block grant and program name)*					
TOTAL		**$16,718,188**			

Community Services Block Grant Management Plan
Prior Year Appropri[redacted]s and Expenditures
(Item Numbering Correspon[redacted]Y 07 Proposed Allocation #)

SFY 07 Alloc. Item #(s)	Funded Activities	Appropriated SFY04	Expended SFY04	Appropriated SFY05	Expended SFY05	Appropriated SFY06	Projected Expenditures SFY06	Requested SFY07	Difference
Community Services Block Grant									
1	Community Action Agencies	$ 15,266,973	$ 15,100,772	$ 15,266,973	$ 15,183,502	$ 15,071,666	$ 15,071,666	$ 15,071,666	$ -
2	Limited Purpose Agencies	$ 848,165	$ 822,474	$ 848,165	$ 848,165	$ 837,315	$ 837,315	$ 823,261	$ (14,054)
	NC Interagency Council for Homeless Programs			$ 262,472	$ 262,472	$ -	$ -	$ -	
3	NC DHHS/OEO	$ 848,165	$ 675,221	$ 848,165	$ 640,231	$ 837,315	$ 837,315	$ 823,261	$ (14,054)
	TOTAL	**$ 16,963,303**	**$ 16,598,467**	**$ 17,225,775**	**$ 16,934,370**	**$ 16,746,296**	**$ 16,746,296**	**$ 16,718,188**	$ (28,108)

Community Services Block Grant Management Plan
Coversheet for Program Summary Reports

Attached herein are Program Summary Reports for all of the locally and State administered programs supported by this block grant. Those programs include:

Program	Supervised/ Administered By
Community Services Block Grant Program	OEO

Detail of Non-Programmatic Community Services Block Grant Funding Requests, SFY07

Item #	Title	Requested Amount	Description of Proposed Use of Funds, Including Notes on Changes from SFY06 Allocation
Local Administration			
DHHS Administration			
3	Office of Economic Opportunity	$823,261	Funds will be used to provide staff and support services to administer the block grant (monitor, provide training and technical assistance to local contractors).

Transfers to other State Agencies

Transfers to other Block Grants

New DHHS Positions to be Established with Community Services Block Grant Funds, SFY07

To Be Supported by SFY 07 Alloc. Item #(s)	Division/Office	Position Title	No. of Pos.	FTEs	Salary Grade	Salary for 1 FTE	Total Salary & Fringe	Pos Eff Date
	Office of Economic Opportunity		-					

VISITOR REGISTRATION SHEET

JOINT APPROPRIATIONS SUBCOMMITTEE ON HEALTH & HUMAN RESOURCES — APRIL 27, 2006

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Barbara Canales	BSCGR
Stacy Flannery	NCHCFA
Roger Bone	Bone & Assoc.
John Bowdish	AstraZeneca
BRIAN SHANK	ASTRAZENECA
Jim Johnson	Johnson and Associates
DAVID BARNES	Poyner + Spruill
Christine Craig	WakeMed
Karen Johnson	Smith Anderson
Joni Allen	BEGINNINGS
John McKyl	Gov Office

VISITOR REGISTRATION SHEET

JOINT APPROPRIATIONS SUBCOMMITTEE ON HEALTH & HUMAN RESOURCES — APRIL 27, 2006

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
PATRICK BUFFKIN	ALLEY ASSOC.
Peggy Maynard	[illegible]
Jerry Cooper	NCACA
Evelyn Hawthorne	NCACA
Dennis Patterson	NCOSC
Roz Savitt	NC Child Care Coalition
Patricia Rawls	NCACC
Mary Bethune	AARP-NC
Kaye Holden	DHHS/Division of Budget & Analysis
Joseph Coletti	John Locke Fdn
Becki Gray	Civitas Institute

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JOINT APPROPRIATIONS SUBCOMMITTEE ON HEALTH & HUMAN RESOURCES — APRIL 27, 2006

Name of Committee — **Date**

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NAME	FIRM OR AGENCY AND ADDRESS
Sharon Marsalis	DHHS
Aleta Mills	DHHS - CMS
Deborah Landry	DHHS
Pat Jeter	DHHS
Flo Stein	DMH/DD/SAS
Bonnie Morell	DMH/DD/SAS
Spencer Clark	DMH/DD/SAS
Wanda Mitchell	DMH/DD/SAS
Martha Ann McConnell	Carolinas Healthcare System
Kevin Ryan	DHHS
Deborah Carroll	DHHS

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Name of Committee — **Date**

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NAME	FIRM OR AGENCY AND ADDRESS
Ed Cochrane-Brennan	DHHS — B&A
Wanda Manderville	DHHS-Div. of Inf. Res. Mgt.
Brandy Bynum	Action for Children NC
Marcus Plesco	DHHS - Div of Public Health
[illegible]	NCMC
[illegible]	DHHS - Public Health
Jim Higgins	DHHS- Public Health
Janice Freedman	NC Healthy Start Foundation
Jane Pinsey	ABCD
Paula A. Wolf	PPHS / El Pueblo
SHARON C. GOODSON	NC COMMUNITY ACTION ASSOC.

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JOINT APPROPRIATIONS SUBCOMMITTEE ON HEALTH & HUMAN RESOURCES — APRIL 27, 2006

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Jessica Cooley	Jordan Price / NC Partnership Fed.
Nancy D Guy	Division of Child Dev., DHHS
Jim Edgerton	DHHS
Debbie Barnes	OSBM
Daphne Lyon	OSBM
Pam Kirkpatrick	OSBM
Kari Barsness	OSBM
Wayne Williams	OSBM
Doug Miskew	Capstrat
R. Clodfelter	R. Clodfelter & Assoc.
Colleen Kocharek	Smith Moore
Mark Beason	Beason Govt Affairs

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JOINT APPROPRIATIONS SUBCOMMITTEE ON HEALTH & HUMAN RESOURCES — APRIL 27, 2006

Name of Committee — **Date**

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NAME	FIRM OR AGENCY AND ADDRESS
Harry Taylor	NCCHV
Mike Manley	DMHDDSAS
Laya Himmelberger	-
Phillip Hoffman	✓
Mark Benton	DHHS - DMA
William Lawrence Jr	DHHS- DMA
Deborah B. Atkinson	DHHS- DMA
Carmen Hooker Odom	DHHS
Allyn Duffey	DHHS
Dennis W. Streets	DHHS - DAAS
SOHARI	SOHARI SART

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JOINT APPROPRIATIONS SUBCOMMITTEE ON HEALTH & HUMAN RESOURCES — APRIL 27, 2006

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Joanne Stevens	nursing NCNAE; School nurse
Andy Ellen	NCLM
Dana Simpson	Smith Anderson
Jackie Rhyne	DHHS
John Lamm	DHHS/DSS
Jane Smith	DHHS/DSS
Sherry D Bradshaw	DHHS/DSS
Sarah Bardam	DHHS/DSS
[illegible]	DHHS/DCD
Katherine Shepherd	DHHS/DCD
[illegible]	[illegible]

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JOINT APPROPRIATIONS SUBCOMMITTEE ON HEALTH & HUMAN RESOURCES — APRIL 27, 2006

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Jud Bone	Bone & Asso.
Jennie New	Kennedy Covington
Bill Rustin	ACP
Robin Huffman	NC Psychiatric Asso /C2201
Ann Lee	OWS
Bob Hedrick	NC Providers Council
John Nash	NCFPC
[illegible]	APPCNC/MOD/ARLTC

MINUTES

JOINT APPROPRIATIONS SUBCOMMITTEE ON HEALTH AND HUMAN SERVICES

Thursday, May 11, 2006
8:30 a.m.
Room 643, Legislative Office Building

The Joint Appropriations Subcommittee on Health and Human Services met Tuesday, May 11, 2006 at 8:30 a.m. in Room 643 of the Legislative Office Building. Members present were Senators William Purcell, Vernon Malone, Charlie Dannelly, James Forrester, Harris Blake, Don East and John Kerr and Representatives Verla Insko, Jeff Barnhart, Jean Farmer-Butterfield, Mary Hollo, Bernard Allen, William Current, Bob England and Paul Stam. Staff members present were Carol Shaw, Andrea Russo, Jennifer Hoffman, and Natalie Townes. A copy of the roll denoting members present is attached to the minutes (Attachment I) along with a copy of the agenda and visitor registration sheet (Attachments II and III).

Rep. Verla Insko, presided, welcomed members and recognized the sergeants-at-arms: Martha Gadison, Earl Coker, Charles Harper, Terry Isacs, and John Fitchett and pages: Katie Newton of Wake County sponsored by Senator Hunt, Kelly Thornton of Wake County sponsored by Senator Garwood, Jeremiah Coogan of Wake County sponsored by Senator Hunt, Kiara Crawford of Anson County sponsored by Rep. Gibson, and Cody Leutgens of Pender County sponsored by Rep. Justice.

Rep. Insko called upon Secretary Carmen Hooker-Odom for her presentation of the Governor's Proposed Budget.

Governor's Proposed Budget

Secretary Hooker-Odom stated that she planned to review the Governor's proposed budget as it related to the Department of Health and Human Services. Secretary Odom referred committee members to the Governor's Recommended Adjustments to NC State Budget handout (Attachment IV).

Technical Adjustments: Secretary Hooker-Odom explained that due to the increase in funding from the NC Educational Lottery, the More at Four program was removed from the Health and Human Services budget. In addition, the increased funding will allow 3,250 more four-year-olds to be served. The second adjustment was the revised Medicaid forecast. The governor's budget lowered the state's Medicaid costs by $150 million based on an increase in the federal matching rate, an increase in state savings as a result of the new Medicare prescription drug program, and lower overall expenses from the General Assembly's cost containment efforts.

Sen. East asked about funding to lower the counties' share of Medicaid costs. He referred to a discussion in which two of his county managers told him that $65 million had been set aside to lower the counties' share of Medicaid costs.

Sec. Odom stated that funds were not in the budget to lower the counties' share of Medicaid and there were no plans to do so. Sec. Odom explained that the freed-up funds including the $65 million received through the Medicare D clawback are being used to support other expansion items elsewhere in the budget and could not be used to lower the counties' share of Medicaid costs without new funds being added.

Jennifer Hoffman, Fiscal Staff, noted that the House Select Committee on Health Care recommended a state cap for Medicaid cost increases for counties. This measure would cost the state approximately $65 million.

Rep. England stated that the Select Committee on Health Care accepted a recommendation from the Subcommittee on Medicaid and a bill will be introduced to use the proposed $65 million available from the Clawback. Slightly over $30 million would be used to cap counties at the '05-'06 level of their local spending and $34 million would be prorated back to the counties based on the county population participation in Medicaid.

Sen. Blake stated that he was under the assumption that within a five year period the State would take the Medicaid obligation off the counties.

Sec. Odom explained that she was not in disagreement that the counties' requirement to contribute to Medicaid is a policy that should to be eliminated, but the challenge to do that was funding. The total amount of money counties' contribute to the Medicaid program is between $500 and $600 million. In order to eliminate the counties' contribution, the State has to find that amount of money to put back in the Medicaid program.

Mental Health Reform

Secretary Hooker-Odom explained that Governor Easley's proposal provided $89 million in new funding for the Division of Mental Health, Developmental Disabilities and Substance Abuse.

Funding for the Mental Health Trust Fund and Expand Community Capacity: $15 million for the Mental Health Trust Fund and $16 million to expand community capacity for mental health services.

Funding for Information Technology and Equipment for the Central Regional Psychiatric Hospital: Funding was requested to support the hospital's information technology infrastructure including network wiring, hardware and a personal duress alarm system for staff. The request included $1.6 million in non-recurring funds for medical equipment.

Operating Funds for ADATC Renovation: $5 million to renovate and staff alcohol drug abuse treatment centers (ADATC) and to expand detox capacity. Also included was funding for technology and equipment for the Central Regional Psychiatric Hospital. Sec. Odom stated that discussions were ongoing concerning replacement of Cherry (built in 1880) and Broughton Hospitals (built is 1882) as both buildings are in deplorable condition.

Initiatives for Healthy Families: $1.8 million for Healthy Families Initiatives would target pregnant women and women with dependent children who are at increased risk of mental health and substance abuse problems due to domestic violence or substance abuse. Funding would also support a six-bed adolescent substance abuse residential program for young women and their infants.

At Risk Children

Sec. Odom explained that the Governor's budget recommended $10 million in support for adoption and foster care services, a new adoption tax credit, replacement of federal cuts in child support and child protective services.

School Nurse Funding: $3.25 million was recommended to permanently fund 65 time-limited school nurses positions previously funded by one-time federal block grants.

Children and Family Support Teams: $1.2 million in additional funds was recommended for the Governor's Child and Family Support Teams to connect at-risk students and families to appropriate behavioral and social services. Local social services care coordinators will train school-based professionals to identify at-risk students and employ strategies to deal with behavioral health issues. Mental health and social services support to child and family teams will be provided in 100 schools across the state. Also, $2 million will be appropriated to support pregnant women who are substance abusers or domestic victims.

Foster Care and Adoption Assistance Payments: There has been a 7% growth from 2004 to 2005 in the number of children placed in foster care and the number of children receiving adoption assistance payments increased by more than 9% from 2004 to 2005. This is partially due to increasing behavioral health needs of children and longer stays in foster care as a result of behavioral problems. Overall, children are being adopted earlier and qualifying for adoption assistance payments longer. Costs incurred by child placement agencies and child care institutions can no longer be used as a third party match to draw down federal funds.

Early Intervention: The number of children being referred for early intervention services has increased 270%, in large part is due to federal policy changes. The increase in funding for foster care and adoption would offset a loss of federal funding for social workers in this area and provide for hiring additional case workers to eliminate the waiting list for children referred to this program.

Rep. Stam asked how much would be needed to fully fund the early intervention program.

Sec Odom responded $15 million in appropriations.

Rep. Stam stated that if that was the case, then the Governor's budget recommendation was $8 million short.

Eight Early Intervention Teachers for the Deaf and Hard of Hearing: Funding for 8 teachers effective 10/1/2006 to increase the intensity of direct early intervention services provided to children who are deaf and hard of hearing and to meet the needs of those newly referred.

Public Awareness of Safe Surrender of Infants: Advertisement to inform the public of the Safe Surrender Act.

Work Force/Family Support

Child Care Subsidy: Currently there are approximately 35,000 eligible children in low-income working families on waiting lists for the child-case subsidy program. Funding for child-care subsidy will be used to serve 2,939 more children in this program bringing the number of children served to 99,444. Rates have not been increased since 2000 and some child care centers are shutting down as a result.

Rep. Allen asked if provider rates will increase.

Rob Kindsvatter, Director of Child Development, responded no, because all additional funds will be dedicated to serving children on the waiting list.

Rep. Allen asked if there was any consideration given to inflation due to the rising cost of gasoline, etc. Rep. Allen expressed his concern that without an increase, providers will be unable to sustain the operation of their business.

Sec. Odom stated that consideration was given to increasing provider rates; however, the decision was made to put the money into more slots.

Rep. Allen inquired when was the last time providers received an increase.

Rob Kindsvatter responded the last time providers received an increase was in 2000 when the market rates were adjusted.

Sec. Odom continued with her explanation of the Governor's budget.

Smart Start: $10 million in recurring funds for local Smart Start initiatives, including subsidized child care.

Eliminate Assistive Technology Waiting List: Due to the deceased federal funding and increased demand from disabled clients, the NC Assistive Technology Program has a significant waiting list for services and equipment loans. To address this problem, four direct-care positions and additional equipment are needed.

Home and Community Care Block Grant: Funding for Home and Community Care Block Grants will provide for an additional 2,100 low-income elderly who are not Medicaid-eligible with in-home services and hot meals. Currently, 9,700 are on waiting lists for these services that enable older adults to remain in their homes.

Rep. Barnhart asked how priorities for the waiting list were determined.

Dennis Streets, Director of the Division of Aging and Adult Services, responded that priority is given to individuals who are identified as an adult protective services case or who are at-risk of adult protective services and so on down to someone who might be in better condition. 70% who received home delivered meals are at risk of malnutrition. With in-home aid more than 30% are at risk of institutional care.

Health Disparities Initiative: $2.1 million to provide in grants to close health disparities. The program will provide grants-in-aid to faith-based community-based organizations to close the gap in the health status of African-Americans, Hispanics/Latinos, and American Indians. The focus will be on reducing infant mortality, HIV/AIDS and other sexually transmitted infections, cancer, diabetes, homicides and motor vehicle deaths.

Rep. Allen asked if $2 million was enough to relieve health disparities. He also asked if the percentage of HIV/Aids cases had declined or increased since Sec. Odom appeared before Appropriations Subcommittee two years ago and told members that HIV/Aids had reached epidemic proportions in the State.

Dr. Leah Devlin responded HIV/Aids were still in epidemic proportions. About 9 African-Americans die from HIV for every one white non-hispanic person. There are 26,000 people living with HIV/Aids in the State.

Universal Vaccine Program to Prevent Disease in Children: Funding for influenza and pertussis booster and additional vaccines in universal vaccine program.

Sen. Purcell stated that the vaccine program was excellent and requested subcommittee members to put funds into this program.

Rep. Barnhart requested a list of other potential vaccines available. Rep. Barnhart stated there was no better investment than the vaccine program.

Critical Priority due to Changes in Federal Policy

Developmental Therapies for Developmentally Disabled Clients: The Governor's proposed budget recommended expansion of the state funded replacement service for approximately 1,740 developmentally disabled clients who would not qualify for other Medicaid supported programs. This expansion, coupled with realignment of about $7 million in the Medicaid budget, will continue services for 5,500 persons with developmental disabilities who are threatened with loss of services due to changes in federal policy and cuts in federal support.

Federal Budget Impact on Foster Care Services: Funds are for the state's share of anticipated increased costs for foster care due to the Federal Budget Reconciliation Act. The law requires that people who care for their relatives' children must now become licensed and thereby eligible for foster care maintenance payments. When relatives decline to become licensed, county social services departments will lose federal Title IV-E administrative funds for social worker costs. Approximately 2,300 children in foster care are currently placed with unlicensed relatives.

Rep. Hollo asked about the licensing process for foster care providers.

Sherry Bradsher, Division of Social Services, stated the licensing process was cumbersome. Safety issues are considered, home inspections, and providers are required to take special training called MAP. It normally takes 6 months to get licensed depending on when MAP classes are offered.

Pandemic Influenza Planning – Antiviral Stockpile (State Match): The Governor recommended funding the state match for federal funds (25% federal/74% state) to purchase and store flu antiviral medication for the state's first responders.

Paternity Testing for Child Support Enforcement: The new federal Budget Reconciliation Act reduces the federal financial participation from 90% to 66% for paternity testing in child support cases. Therefore, funds are needed to maintain the existing funding level for paternity testing expenses.

IT Project Development and Operations

Office of Medicaid Management Information Sys. Funding (OMMIS): To provide central management support for design, development, and implementation of a new Medicaid Management Information System (MMIS) approval is recommended to use up to $5,004,504 from the Medicaid Trust Fund to match federal funding for OMMIS. The System development complies with the federal mandate from the Centers for Medicare and Medicaid Services to rebid and update the Medicaid claims payment system. The state receives federal funding for 90% of the cost of MMIS design, development, and implementation and 75% for the operational costs.

Other Staffing Deficiencies

Improve Regulatory Oversight: Funding for 10 new positions including 8 licensing consultants, 1 supervisory position, and 1 support position to monitor child care facilities is needed to increase the number of unannounced visits from 500 to 5,000 annually.

Early Intervention Teachers for the Blind and Visually Impaired: Funding for 5 teaching positions and one Orientation and Mobility Specialist effective 10/1/06 is needed to meet direct service needs of visually impaired children statewide who are served through the Governor Morehead Early Intervention Program and Preschool.

Language Interpreters: Funding for 4 interpreters effective 10/1/06 - one at NC School for the Deaf in Morganton, one at Governor Morehead School for the Blind in Raleigh and two at Eastern NC School for the Deaf in Wilson.

Dormitory Supervisors at the NC School for the Deaf in Morganton: Funding for two resident life attendants is needed to provide adequate supervision and to increase safety for children living in the school's dormitory, Main Hall.

Housekeeper at the NC School for the Deaf in Morganton: Funding is needed for a housekeeper to handle routine services.

Behavior Specialists for Eastern NC School for the Deaf: The school has an increasing number of students with multiple disabilities, especially behavioral and emotional disorders, including autism. Funding for two behavior specialist programming technicians will allow for one-on-one supervision when necessary, reduce instructional disruptions, and increase safety in instructional and residential settings.

DHHS Operational Infrastructure Improvements

Telemedicine for Children in Residential Schools: Funding is needed to implement telemedicine programs at the Western NC School for the Deaf in Morganton and at Governor Morehead School for the Blind in Raleigh. Telemedicine brings daily medical care directly to the students in their school setting, using existing student health center nurses and a link to the Department of Pediatrics and the Telemedicine Center at Brody School of Medicine at East Carolina University. This program has been successful at the Eastern NC School for the Deaf. Nonrecurring appropriations of $25,000 per school will establish the T-1 phone line link with ECU and recurring appropriations of $12,000 per school will cover ongoing line charges.

Reserve for Utility and Fuel Costs: Nonrecurring funding is needed to address increasing utility and fuel costs.

Child Support Enforcement Call Center: The Voice Response Unit needs to be replaced and telephone system upgraded for the Child Support Enforcement Call Center in Martin County. The center is estimated to receive over 9 million calls this year for information about payment records, amounts paid/owed, court dates, etc.

Health Intervention and Prevention

Dental Prevention Services: Reinstitution of the school dental program in schools to help children at risk for tooth decay. Funds will be used to reinstitute the fluoride mouth rinse program in schools with a high proportion of low income children.

Private Well Water Safety Program: Funding for the State Laboratory of Public Health to test private well water due to increased enforcement of well construction standards. Three new positions and money for equipment and supplies are required. Fees will be charged.

Expanded Surveillance, Investigation, and Control of Tick-Borne Infections: A comprehensive program to better understand the impact of tick-borne infections.

Other Department Recommendations in Governor's Budget

Sec. Odom stated that in addition, the Governor's budget recommends construction of a new state public health laboratory and a new medical examiner/emergency operations center, reserve for heating and cooling for low income, and state tax credit for adoptions.

Sen. Forrester asked if 403 new employees will be added in the expansion budget and if there were any reductions in your budget this year?

Sec. Odom responded that 403 new employees were included in budget recommendations and there were no reductions to the Health and Human Services budget this year.

Sen. Purcell requested the subcommittee meeting reconvene at 1:00 p.m. to review HHS targets.

Rep. Insko adjourned meeting at 10:00 a.m.

Rep. Verla Insko, Chair

Pamela J. Evans, Committee Assistant

Attachment II

AGENDA

Senate Appropriations Committee on Health and Human Services
House Appropriations Subcommittee on Health and Human Services

Legislative Office Building – Room 643
Thursday, May 11, 2006

8:30 AM

Committee Chairmen	*Senator William Purcell, Co-Chair* *Senator Vernon Malone, Co-Chair* *Representative Verla Insko, Co-Chair* *Representative Jeff Barnhart, Co-Chair*
I. Opening Remarks	*Committee Chairmen*
II. Department of Health and Human Services Governor's Proposed Budget	*Secretary Carmen Hooker-Odum*
III. Committee Discussion	

VISITOR REGISTRATION SHEET

APPROPRIATIONS / Health and Human Services — May 11, 2006

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Debbie Barnes	OSBM
Pam Kilpatrick	OSBM
Kam Johnson	Smith Anderson
Amy Jo Horne	NC MS
Steve Mitchell	Novartis
Brian Shank	Astra Zeneca
John Bordeaux	Astra Zeneca
Patrick Buffkin	Alley Assoc, Inc.
Lauren Eckhardt	Speaker Black's office

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APPROPRIATIONS / Health and Human Services — May 11, 2006

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Rebecca Troutman	NCACC
Kathy Beatham	Leg. Contract Interpreter
Jackie Sheppard	DHHS
Amy [illegible]	DVRS
Christine Cruz	Wake Med
M.R. MANN	JVI
DAVID BARNES	Poyner Spruill
Wm. H. Potter Jr	NCDS & NCPTA
Lee Wilson	NCALTCF
Mary Butler	AARP-NC
[illegible]	NAMI-NC

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APPROPRIATIONS / Health and Human Services — May 11, 2006

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Jenny Cooper	NCACA
Deborah Rowe	NCPHA/NCALHD
Lonnie B Fraker	Volunteer Advocate for Mentally Ill. Member G.A.C.P.D.
John Tate	MHA
Dre Richard	Tele
Kathy Shepherd	DHHS/DCD
June Locklear	DHHS/DCD
Jami Fitzgerald	NC Family Policy Council
Dick Carlton	Attorney
Vincent Stephens	CMS
MARCIA RAO	DHHS

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Elizabeth Hudgins	Action for Children 311 E. Edenton Raleigh NC 27601
Jennifer Forde Whitaker	Prevent Child Abuse 3725 National 27612
Abby Carter Emanuelson	NMSS
Gill Hinton Keel	Autism Society/NC /C 2001
Jane Smith	DHHS/DSS
JoAnn Lamm	DHHS/DSS
Henry Jones	Attorney Raleigh
Ashley E. Ch	Parents S. Ch + assoc.
Steve Shore	NC Pediatric Society
Jim Edgerton	Home & Hospice Care Assoc.
Mary Edwards	DAAS

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APPROPRIATIONS / Health and Human Services — May 11, 2006

Name of Committee — **Date**

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NAME	FIRM OR AGENCY AND ADDRESS
Gary Cyr	DHHS
Paula Hoey	PPHS, El Pueblo
Jeff Wolf	Daily Bulletin
Cameron Conrizano	Daily Bulletin
MARTHA HARRIS	Daily Bulletin
Sally Cameron	NC Psychological Assoc
Kari Barsness	OSBM
Daphne Lyon	OSBM
Jim Johnson	
Jennifer Wimmer	OSBM
Wayne Williams	OSBM

Governor's Recommended Adjustments to NC State Budget
Department of Health and Human Services
2006-07 SHORT SESSION

Attachment IV

Division	Item Title	Requirements	Receipts	Appropriations	R NR	# of Pos.	Page # Gov. Budget
Recommended Technical Adjustments							
Central Admin.	Reprogram More at Four to Lottery Proceeds	$ -	$ 66,646,653	$ (66,646,653)	R	-	108
DMA	Revised Medicaid Forecast	$ (428,571,429)	$ (278,571,429)	$ (150,000,000)	R	-	125
	Total Recommended Technical Adjustments	**$ (428,571,429)**	**$ (211,924,776)**	**$ (216,646,653)**		-	
Recommended Expansion							
Mental Health Reform							
DMH/DD/SAS	Funding for the Mental Health Trust Fund	$ 15,000,000	$ -	$ 15,000,000	NR	-	129
DMH/DD/SAS	Expand Community Capacity	$ 16,000,000	$ -	$ 16,000,000	R	-	129
DMH/DD/SAS	Funding for Information Technology and Equipment for the Central Regional	$ 1,706,461	$ -	$ 1,706,461	R	3.00	130
	Psychiatric Hospital	$ 20,000,000	$ -	$ 20,000,000	NR	-	130
DMH/DD/SAS	Operating Funds for ADATC Renovations	$ 5,191,815	$ -	$ 5,191,815	R	159.00	130
DMH/DD/SAS	Initiatives for Healthy Families	$ 1,800,000	$ -	$ 1,800,000	R	1.00	130
At Risk Children							
DPH	School Nurse Funding	$ 3,250,000	$ -	$ 3,250,000	R	-	118
DMH/DD/SAS	Child and Family Support Teams	$ 523,638	$ -	$ 523,638	R	-	109
DSS	Child and Family Support Teams	$ 720,804	$ -	$ 720,804	R	-	109
DSS	Foster Care and Adoption Assistance Payments	$ 28,108,290	$ 17,901,392	$ 10,206,898	R	-	122
DPH	Early Intervention	$ 9,663,316	$ 2,602,208	$ 7,061,108	R	196.00	119
OES	Eight Early Intervention Teachers for the Deaf and Hard of Hearing	$ 293,493	$ -	$ 293,493	R	8.00	115
Central Admin.	Public Awareness of Safe Surrender of Infants	$ 100,000	$ -	$ 100,000	R	-	109
Work Force/Family Support							
DCD	Child Care Subsidy	$ 20,000,000	$ -	$ 20,000,000	R	-	113
DCD	Smart Start	$ 10,000,000	$ -	$ 10,000,000	R	-	113
DVR	Eliminate Assistive Technology Waiting List	$ 699,856	$ -	$ 699,856	R	4.00	133
DAAS	Home and Community Care Block Grant	$ 3,000,000	$ -	$ 3,000,000	R	-	111

Governor's Recommended Adjustments to NC State Budget
Department of Health and Human Services
2006-07 SHORT SESSION

	Division	Item Title	Requirements	Receipts	Appropriations	R NR	# of Pos.	Page # Gov. Budget
33	DPH	Health Disparities Initiative	$ 2,080,406	$ -	$ 2,080,406	R	2.00	119
34	DPH	Universal Vaccine Program to Prevent Disease in Children	$ 13,423,460	$ 6,897,365	$ 6,526,095	R	-	119
35								
36	**Critical Priority due to Changes in Federal Policy**							
37	DMH/DD/SAS	Developmental Therapies for Developmentally Disabled Clients	$ 29,435,119	$ -	$ 29,435,119	R	-	130
38	DSS	Federal Budget Impact on Foster Care Services	$ 5,872,260	$ 3,831,505	$ 2,040,755	R	-	122
39	DPH	Pandemic Influenza Planning - Antiviral Stockpile (State Match)	$ 250,000	$ 60,000	$ 190,000	NR	-	118
40	DSS	Paternity Testing for Child Support Enforcement	$ -	$ (151,500)	$ 151,500	R	-	123
41								
42	**IT Project Development & Operations**							
43	OMMIS	Office of Medicaid Management Information Sys. Funding	$ 5,004,504	$ 5,004,504	$ -	R	-	109
44								
45	**Other Staffing Deficiencies**							
46	DCD	Improve Regulatory Oversight	$ 453,222	$ -	$ 453,222	R	10.00	113
47			$ 12,291	$ -	$ 12,291	NR	-	113
48	OES	Early Intervention Teachers for the Blind and Visually Impaired	$ 233,533	$ -	$ 233,533	R	6.00	115
49	OES	Language Interpreters	$ 121,771	$ -	$ 121,771	R	4.00	116
50	OES	Dormitory Supervisors at the North Carolina School for the Deaf in Morganton	$ 39,730	$ -	$ 39,730	R	2.00	116
51	OES	Housekeeper at the North Carolina School for the Deaf in Morganton	$ 20,358	$ -	$ 20,358	R	1.00	116
52	OES	Behavior Specialists for Eastern North Carolina School for the Deaf	$ 45,663	$ -	$ 45,663	R	2.00	116
53								
54	**DHHS Operational Infrastructure Improvements**							
55	OES	Telemedicine for Children in Residential Schools	$ 24,000	$ -	$ 24,000	R	-	116
56			$ 50,000	$ -	$ 50,000	NR	-	116
57	Central Admin.	Reserve for Utility and Fuel Costs	$ 1,271,533	$ -	$ 1,271,533	NR	-	110
58	DSS	Child Support Enforcement Call Canter	$ 2,927,502	$ 640,109	$ 2,287,393	NR	-	123
59								
60	**Health Intervention & Prevention**							
61	DPH	Dental Preventive Services	$ 648,938	$ -	$ 648,938	R	1.00	119
62	DPH	Private Well Water Safety Program	$ 820,488	$ 702,725	$ 117,763	R	3.00	120
63			$ 226,000	$ -	$ 226,000	NR	-	120
64	DPH	Expanded Surveillance, Investigation, and Control of Tick -Borne Infections	$ 205,434	$ -	$ 205,434	R	1.00	120
65								

Governor's Recommended Adjustments to NC State Budget
Department of Health and Human Services
2006-07 SHORT SESSION

	Division	Item Title	Requirements	Receipts	Appropriations	R NR	# of Pos.	Page # Gov. Budget
66		**Total Recommended Expansion**	**$ 199,223,885**	**$ 37,488,308**	**$ 161,735,577**		**403.00**	
67								
68								
69		**Total Recommended Adjustments for Department of Health and Human Services**	**$ (229,347,544)**	**$ (174,436,468)**	**$ (54,911,076)**		**403.00**	
70								
71								
79		Total Recurring Adjustments	$ (269,084,870)	$ (175,136,577)	$ (93,948,293)		403.00	
80		Total Non-Recurring Adjustments	$ 39,737,326	$ 700,109	$ 39,037,217			
81								
82								
83	**Other Departmental Recommendations in Governor's Budget**							
84		DHHS Public Health Laboratory/Office of Chief Medical Examiner	$ 101,000,000	$ 101,000,000	$ -			202
85		Reserve for Heating and Cooling Assistance	$ 10,000,000	$ -	$ 10,000,000	NR		209
86		State Tax Credit for Adoption Expenses						27

MINUTES

JOINT APPROPRIATIONS SUBCOMMITTEE ON HEALTH AND HUMAN SERVICES

Thursday, May 11, 2006
1:00 p.m.
Room 643, Legislative Office Building

The Joint Appropriations Subcommittee on Health and Human Services met Tuesday, May 11, 2006at 1:00 p.m. in Room 643 of the Legislative Office Building. Members present were Senators William Purcell, Vernon Malone, Charlie Dannelly, James Forrester, Harris Blake, Don East and John Kerr and Representatives Verla Insko, Jeff Barnhart, Jean Farmer-Butterfield, Mary Hollo, Bernard Allen, William Current, Bob England and Paul Stam. Staff members present were Carol Shaw, Andrea Russo and Natalie Townes. A copy of the roll denoting members present is attached to the minutes (Attachment I) along with a copy of the agenda and visitor registration sheet (Attachments II and III).

Rep. Verla Insko, presided, welcomed members and recognized the sergeants-at-arms: Martha Gadison, Earl Coker, Charles Harper, Terry Isacs, and John Fitchett and pages: Ashley Simons of Person County sponsored by Rep. Wilkins, Kenneth Crawford of Anson County sponsored by Rep. Gibson, Ashley Bartlett of Wilkesboro sponsored by Sen. Garwood, Krista Anderson of Smithfield sponsored by Sen. Smith, Amanda Huber of Winterville sponsored by Sen. Basnight and Kristen Byrum of Elizabeth City sponsored by Sen. Basnight.

Rep. Insko called upon Carol Shaw of the Fiscal Staff to review the subcommittee's target and rules.

Ms. Shaw explained that the subcommittee targets are spending targets. The Joint Appropriations Subcommittee targets for the 2006 session are $16,595,988,886 with the Health and Human Services target being $4,213,376,965. Ms. Shaw then reviewed the 11 Rules for the Joint Appropriations Subcommittees. (Attachments IV and V)

Rep. Insko reminded subcommittee members that the Medicaid reduction funds were not available for consideration as those funds were used elsewhere in the budget.

Sen. Purcell announced that the Senate's subcommittee budget was due the following Wednesday and requested Senate subcommittee members to provide a list of their budget priorities and proposed cuts to the Senate co-chairs by 2:00 p.m. on Monday.

Meeting adjourned at 1:27 p.m.

Verla Insko
Rep. Verla Insko, Chair

Pamela J. Evans
Pamela J. Evans, Committee Assistant

ATTENDANCE

HOUSE APPROPRIATIONS SUBCOMMITTEE ON HEALTH AND HUMAN SERVICES

DATES	05/11/06 PM														
INSKO, Verla CHAIR	✓														
BARNHART, Jeff CHAIR	✓														
FARMER-BUTTERFIELD, Jean VICE-CHAIR	✓														
HOLLO, Mark VICE-CHAIR	✓														
ALLEN, Bernard	✓														
CURRENT, William	✓														
ENGLAND, Bob	✓														
STAM, Paul	✓														
WRIGHT, Tom															
Ex officio Members															
Culpepper, Bill															
Cunningham, Pete															
Eddins, Rick															
Hackney, Joe															

ATTENDANCE

SENATE APPROPRIATIONS SUBCOMMITTEE ON HEALTH AND HUMAN SERVICES

DATES	05/11/06 PM														
PURCELL, William CHAIR	✓														
MALONE, Vernon CHAIR	✓														
DANNELLY, Charlie VICE-CHAIR	✓														
FORRESTER, James	✓														
BERGER, Doug															
BLAKE, Harris	✓														
EAST, Don	✓														
KERR, John	✓														
Ex officio Members															
Culpepper, Bill															
Cunningham, Pete															
Eddins, Rick															
Hackney, Joe															

Attachment II

AGENDA

Senate Appropriations Committee on Health and Human Services
House Appropriations Subcommittee on Health and Human Services

Legislative Office Building – Room 643
Thursday, May 11, 2006

1:00 PM

Committee Chairmen	*Senator William Purcell, Co-Chair* *Senator Vernon Malone, Co-Chair* *Representative Verla Insko, Co-Chair* *Representative Jeff Barnhart, Co-Chair*
I. Opening Remarks	*Committee Chairmen*
II. Subcommittee Target	*Fiscal Research Staff*
III. Committee Discussion	

VISITOR REGISTRATION SHEET

APPROPRIATIONS / Health and Human Services — May 11, 2006

Name of Committee — **Date**

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Pam Kilpatrick	OSBM
Kam Johnson	Smith Anderson
Amy Jo Horne	NC MS
Steve Mitchell	Novartis
Brian Shank	Astra Zeneca
John Bowdich	Astra Zeneca
Patrick Buffkin	Alley Assoc, Inc.
Lauren Eckhardt	Speaker Black's office

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Kathy Beatham	Leg. Contract Interpreter
Jackie Sheppard	DHHS
Amy Neal	DVRS
Christine Cruz	Wake Med
M.R. MANN	JJI
DAVID BARNES	Poyner Spruill
Wm. H. Potter Jr.	NCDS & NCPTA
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Mary Butler	AARP-NC
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Louise B Fisher	Volunteer Advocate for Mentally Ill. Member G.A.C.P.D.
John Tate	MHA
Dee Richard	Tele
Kathy Shepherd	DHHS/DCD
June Lockhart	DHHS/DCD
Jami Fitzgerald	NC Family Policy Council
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Vincent Stephens	CMS
MARCIA RAO	DHHS

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Jennifer Forde Whitaker	Prevent Child Abuse 3725 National 27612
Abby Carter Emanuelson	NMSS
Gill Hinton Keel	Autism Society NC / C 2001
Jane Smith	DHHS/DSS
JoAnn Lamm	DHHS/DSS
Henry Jones	Attorney Raleigh
Ashley E. Ch	Raleigh S. Ch v a ...
Steve Shore	NC Pediatric Society
Jim Edgerton	Home & Hospice Care Assoc.
Mary Edwards	DAAS

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Gary Cyr	DHHS
Paula A Hall	PPHS, El Pueblo
Jeff Wolf	Daily Bulletin
Cameron Contrizano	Daily Bulletin
MARTHA HARRIS	Daily Bulletin
Sally Cameron	NC Psychological Assoc
Kari Barsness	OSBM
Daphne Lyon	OSBM
Jim Johnson	
Jennifer Wimmer	OSBM
Wayne Williams	OSBM

Joint Appropriations Subcommittee Targets

2006 Session

	FY 2006-07
Education	9,728,299,722
Health and Human Services	4,213,376,865
Justice and Public Safety	1,821,128,416
Natural and Economic Resources	452,247,945
General Government	380,935,938
Transportation	0
Totals	16,595,988,886

RULES FOR JOINT APPROPRIATIONS SUBCOMMITTEES
2006 SESSION

May 11, 2006

1. Subcommittee targets are spending targets.

2. Identify all budget adjustments (reductions or expansion) as recurring and non-recurring.

3. Nonrecurring reductions shall not be made to fund recurring expansion items.

4. Negative reserves or "management flexibility" reductions are not allowed.

5. Expansion positions shall not be phased in during the fiscal year, but shall be effective July 1, 2006.

6. Identify all General Fund position changes (eliminations, fund shifts, newly established).

7. Identify all new receipt-supported positions recommended by the subcommittee as either time-limited or permanent positions. If time-limited, **specify** the anticipated timeframe for which the positions will be funded.

8. Special provisions shall not authorize the expenditure of reversions.

9. Refer **all** salary-related, state employee health plan, retirement, debt service, capital and other statewide reserve issues to the Full Appropriations Committee Chairs.

10. Subcommittees considering fee adjustments must **first** consult with the Full Chairs.

11. Subcommittees are encouraged to identify reductions that may result from improved program efficiencies and effectiveness.

Fiscal Research Division
Joint Budget Development Team

Attachment V

Health and Human Services Joint Target

HHS Joint Target	$	4,213,376,865
2006-07 Certified Budget	$	4,264,940,128
Difference	$	(51,563,263)
Assumption: More@4 Reprogram	$	(66,646,653)
Expansion Allowed (Reductions Needed)	$	15,083,390
Revised Medicaid Forecast	$	(150,000,000)
Expansion Allowed (Reductions Needed)	$	165,083,390

Governor's Recommended Budget	$	4,210,029,052
2006-07 Certified Budget	$	4,264,940,128
Expansion (Reduction)	$	(54,911,076)
Assumption: More@4 Reprogram	$	(66,646,653)
Expansion (Reductions)	$	11,735,577
Revised Medicaid Forecast	$	(150,000,000)
Expansion (Reductions)	$	161,735,577

2006

JOINT APPROPRIATIONS – HEALTH & HUMAN SERVICES

COMMITTEE MINUTES

AGENDA

Senate Appropriations Committee on Health and Human Services
House Appropriations Subcommittee on Health and Human Services

Legislative Office Building – Room 643
Tuesday, May 16, 2006

8:30 AM

	Committee Chairmen	*Senator William Purcell, Co-Chair* *Senator Vernon Malone, Co-Chair* *Representative Verla Insko, Co-Chair* *Representative Jeff Barnhart, Co-Chair*
I.	Opening Remarks	*Committee Chairmen*
II.	Review of the Recommendations of the Joint Legislative Oversight Committee On Mental Health, Developmental Disabilities and Substance Abuse Services	*Andrea Russo, FRD Staff*
III.	Comments on LOC Proposals	*Secretary Carmen Hooker-Odom*
IV.	Replacement Hospitals for Broughton Hospital and Cherry Hospital	*Michael Moseley, Director* *Division of Mental Health, Developmental Disabilities, and Substance Abuse Services*
V.	New State Public Health Laboratory and Office of the Chief Medical Examiner Facility	*Leah Devlin, Division Director and Acting State Health Director* *Division on Public Health*
VI.	Committee Discussion	

JOINT APPROPRIATIONS SUBCOMMITTEE
ON HEALTH AND HUMAN SERVICES

Tuesday, May 16, 2006
8:30 A.M.
Room 643, Legislative Office Building

The Joint Appropriations Subcommittee on Health and Human Services met at 9:00 A.M. in Room 643 of the Legislative Office Building. Senate members present were: Co-Chair William R. Purcell, Co-Chair Vernon Malone, and Senators Berger, Blake, and East. Representatives present were Co-Chair Verla Insko, and Representatives Farmer-Butterfield, Allen, England, and Hollo. Senator Purcell chaired the meeting and began by introducing the pages and sergeants-at-arms.

He asked Andrea Russo of the Fiscal Research staff to begin by distributing copies of the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services (Attachment I) to committee members. Senator Blake asked if the $11,250,000 is incorporated in the $50M requested by the North Carolina Housing Development Agency. The response was that it is not. Senator Forrester asked about the $1.7M for consultants. Representative Insko said that this amount is for tasks that should have been completed the past three or four years, but were not because people were very busy getting this system started, and are critically needed now. Senator Forrester asked to whom the advocacy people should report their findings, and the response was to the Secretary.

Senator Purcell recognized Secretary Carmen Hooker-Odom for comments. Regarding the first proposal, she commented that the Department felt that this proposal is premature, that many of the low-wealth counties would receive none of this allocation. Another reason is that DHHS is in the process of constructing a new method of distributing resources in an equitable manner based on per capita. This model should be completed in August, and the proposal will be submitted during the long session in 2007. In response to a question from Senator Forrester, she pointed out that LMEs should not shift monies from one group to another without authorization from the Department. Senator Nesbitt stated that such a model, or report, had been requested of the Department two years ago, and that the entire system is in such a state of repair that it cannot wait any longer for money and direction.

Mike Moseley, Director of the Department of Mental Health was recognized for a PowerPoint presentation on the mental hospitals in North Carolina (Attachments II and III), the great need for replacement for several, and major repair/refurbishment for others. Terry Hatcher, Director for Property and Construction restated Mr. Moseley's concerns and said that the hospitals' infrastructure is in such a bad state that there is never enough money to do whatever needs to be done.

Senator Purcell recognized Dr. Leah Devlin, Acting Director of Public Health. She had handouts of a PowerPoint presentation passed out (Attachment 4). These pointed out the crowded, inefficient and unsafe conditions of the current State Laboratory; and the dire need for a new laboratory, particularly in view of additional and new requirements from Homeland Security. Senator Malone inquired as to location of a new laboratory, and Dr. Devlin responded that since interfacing state facilities' laboratories are located in and around Raleigh, that this is where it should be located. Senator Forrester remarked that the employees are highly specialized people who live in the area and might not want to move to another area. He asked if this laboratory could handle a mass fatality, and Dr. Devlin said that such an event would be handled by the Medical Examiner's office, which is on the Chapel Hill campus. Representative Wright recommended that members tour the laboratory; that working conditions are deplorable, highly unsafe, and embarrassing in that such conditions have been provided for those workers and their families.

The meeting adjourned at 10:15 A.M.

William R. Purcell

Senator William R. Purcell, M.D., Chair

Lorraine R. Blake

Lorraine R. Blake, Committee Clerk

Attachment I

JOINT LEGISLATIVE OVERSIGHT COMMITTEE ON MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE SERVICES

REPORT TO THE 2006 REGULAR SESSION OF THE 2005 GENERAL ASSEMBLY

DRAFT with changes from 5/10 LOC meeti

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JOINT LEGISLATIVE COMMITTEE ON MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE SERVICES
State Legislative Building
Raleigh, North Carolina 27603

Senator Martin Nesbitt, Co-Chair *Representative Verla Insko Co-Chair*

May 10, 2006

TO THE MEMBERS OF THE 2005 GENERAL ASSEMBLY (2006 Regular Session):

The Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities and Substance Abuse Services submits to you for your consideration its report pursuant to G.S. 120-231.

Respectfully Submitted,

Rep. Verla Insko, Co-Chair

Sen. Martin Nesbitt, Co-Chair

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PREFACE

The Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services (LOC) is established in Article 27 of Chapter 120 of the General Statutes. The LOC was charged with examining, on a continual basis, the system-wide issues affecting the development, financing, administration, and delivery of mental health, developmental disabilities, and substance abuse services, including issues related to governance, accountability and quality of services. The Committee consists of sixteen members, eight appointed by the President Pro Tempore of the Senate and eight appointed by the Speaker of the House of Representatives. The members appointed by the President Pro Tempore must include all of the following: at least two must be members of the Senate Committee on Appropriations, the chair of the Senate Appropriations Committee on Human Resources and at least two must be of the minority party. The members appointed by the Speaker of the House must include all of the following: at least two members of the House Committee on Appropriations, the Co-Chairs of the House of Representatives Appropriations Subcommittee on Health and Human Services, and at least two members of the minority party. The Co-Chairs for 2005-2006 are Senator Martin Nesbitt and Representative Verla Insko.

COMMITTEE PROCEEDINGS

LEGISLATIVE OVERSIGHT COMMITTEE PROCEEDINGS

The Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities and Substance Abuse Services met on nine occasions during the 2006 interim. The following is a brief summary of the (LOC) Committee's proceedings. Detailed minutes and information from each Committee meeting is available in the Legislative Library and on the Oversight Committee webpage at http://www.ncleg.net/.

September 21, 2005

The Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities and Substance Abuse Services convened its first meeting of the interim on Wednesday, September 21, 2005, at 10:00 A.M. in Room 643 of the Legislative Office Building.

Kory Goldsmith, Research Division and Lisa Hollowell, Fiscal Research Division, presented an overview of the historical context and current goals of mental health reform in North Carolina as enacted by House Bill 381 - the Mental Health System Reform Bill.

Ms. Goldsmith identified the role of the local management entities (LME) in managing services. Ms. Hollowell explained the purpose and uses of the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding, and gave the total appropriations since FY 2000-2001 with adjustments and expenditures.

Regarding the downsizing of state institutions, Ms. Hollowell said that the idea was to shift funding from state institutions into the community as downsizing occurred. She then reviewed a chart showing a total of 414 beds in the State's psychiatric hospitals closed to date, and 33 Area Programs/LMEs in place as of July 1, 2005, down from 40 Area Programs in 2001.

Leza Wainwright, Deputy Director of the Division on Mental Health, Developmental Disabilities and Substance Abuse Services (DMH), then gave an update on activities relating to mental health reform efforts since the last committee meeting on January 18, 2005, and reviewed the Mental Health Trust Fund expenditures for the year.

Representative Insko, Co-Chair, asked the following stakeholders to provide the Committee with their comments: Consumer and family members - Betty Stansberry, DD; Louise Fisher, MH and Jeff McLoud, MH; LMEs - Grayce Crockett, Mecklenburg; Joy Futrell, Rowan/Chowan and Tom McDevitt, Smokey Mountain; County

Commissioners - Patrice Roesler; Advocates - John Tote, MH Association of N.C.; Dave Richard, ARC of N.C.; Providers - Sarah Wiltgen, Brynn Marr Behavioral Healthcare; Trish Hussy, Freedom House; Jill Keel, Autism Society of N.C.; Robin Huffman, N.C. Psychological Association; Suzie Kennedy, Life Enrichment Center of Cleveland County; and Toni Camp, RN, Life Enrichment Center of Cleveland County; Dan Herr, CFAC.

October 19, 2005

The Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities and Substance Abuse Services held its second meeting on Wednesday, October 19, 2005, at 9:00 A.M. at the Renaissance Hotel in Asheville, North Carolina.

Senator Martin Nesbitt, Co-Chair, introduced Larry Thompson and Beth Melcher, consultants hired on a part-time basis to give the LOC their administrative and clinical perspectives on the State MH/DD/SAS system and the current reform efforts.

Lisa Hollowell, Fiscal Research Division, addressed questions from the September 21st meeting and reviewed ways the Mental Health Trust Fund may be used in the reform effort.

Shawn Parker, Research Analyst, gave a synthesis of public comments from the September 21st meeting, identifying areas of progress, areas of concern, and recommendations of stakeholders.

Representative Insko, Co-Chair, reviewed a proposal for LOC work priorities during the interim, noting that two major areas of concern were the capacity and resources at the LME and Division levels to manage the system and the capacity to deliver services.

Kory Goldsmith, Research Division, gave an overview of the LME role regarding management and utilization review. G.S. 122C-141(a), changes the role of area programs from one of service providers to managers of services. G.S. 122C-115.2(b)(1), provides the structure of the LME business plan, which governs how LMEs implement their management roles.

David Swann, Director of Crossroads Behavioral Healthcare serving Iredell, Surry, and Yadkin Counties, gave an LME perspective on reform by reviewing the nine key functions of Crossroads' operational activities. He also described how access, screening, triage and referral (STR) and the utilization review (UR) and service management functions are provided at Crossroads.

Allyn Guffey, Acting Assistant Secretary for Finance and Business Operations for (DHHS), addressed the Secretary's proposal to centralize UR and STR functions and reduce funding for the Department of Health and Human Services LME functions. He gave a brief background of the system before reform explaining that the formula developed to project the cost of the LME functions was based on 20 LMEs.

Senator Nesbitt then asked for public comments. The following members of the public addressed the LOC: Jerry Rice, Mona and David Cornwell, Will Callison, Jere Annis, Emma Thorne, Billie Gilfillan, Chris Melton, Dennis Huntley, Howard Graves,

Paula Cox, Sharon Thomas, Laurie Coker, Patricia McGivens, Nancy Baker, Julie Millain, and Cherie Novak. The speakers expressed their needs and concerns as MH/DD/SAS consumers and family members regarding reform.

Leza Wainwright, Deputy Director, DMH, then gave a report on the Mental Health Trust Fund, showing anticipated expenditures of $24.7 million for fiscal year 2005-2006, all of which are expected to be used during that time.

Mike Moseley, Director, DMH, gave a further explanation of the Secretary's proposal for Regional Utilization Review and centralized screening, triage and referral services, explaining that reform legislation envisioned moving from 40 area programs to 20 LMEs and that shifting certain management functions to a regional level is expected to create efficiencies.

Kitty Barnes, Chair of the Catawba County Board of Commissioners and President of the N.C. County Commissioners Association, provided a response to the Secretary's proposal. She explained the ways that counties are involved with LMEs. Counties provide funding, perform administrative functions, provide physical locations for some LMEs, and perform oversight of the jails. She voiced concern that the timeframe for consolidation of the UR function (by December 15, 2005) could make continued provision of services by her LME difficult.

David Swann, responding to the Secretary's proposal, voiced concern about the short time frame for the regional UR consolidation. He also stated that the North Carolina Council of Community Programs believes the proposal is premature.

November 9, 2005

The Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities and Substance Abuse Services held its third meeting on Wednesday, November 9, 2005, at 9:00 A.M. in Room 544 of the Legislative Office Building.

Ben Popkin, Research Division, gave a presentation on the law addressing LME organization and governance structures, both pre and post-reform. Of the six options available, only one (the multi-county county program) requires a catchment area of at least 200,000 in population or a minimum of 5 counties.

Shawn Parker, Research Division, gave an historic and current configuration of area and county programs, providing the committee with maps of LME configurations in both 1997 (41 area programs with populations ranging from 56,000 to 770,000) and present day (29 catchment areas with populations ranging from 75,000 to 770,000). Mr. Parker then reviewed progress since last year's report, highlighting service array, LME functions and the status of the State institutions.

Lisa Hollowell, Fiscal Research Division, gave a presentation on developing management capacity, detailing the LME functions and the allocations based on the Cost Model SFY 2005-2006 and showing the total amounts allocated for the nine functions performed by each LME.

Kory Goldsmith, Research Division, then gave a broad explanation of powers and duties of the Secretary of Health and Human Services. This included the

development of the State Plan, oversight of the operation of State facilities, administration of the Mental Health Trust Fund, monitoring and oversight of LMEs, and the protection of client rights.

Flo Stein, Chief of Community Policy Management, DMH, explained the Division's role in assisting LMEs with key function implementation, explaining that much attention is being focused on the provider community in the areas of payment, quality of services, provider management governance and infrastructure.

Dr. Michael Lancaster, Chief of Clinical Policy, DMH, gave an overview of Crisis/Emergency Services, explaining how crisis services are provided in the overall reform system. He reviewed the screening process, discussed the differences in the 3 levels of crisis services (emergent, urgent and routine), and stressed the importance of having a community-based hospital that participates in the mental health system.

Marti Wagner, Regional Director of Operations for Telecare Corporation, working primarily with Durham Center ACCESS as well as the Crisis Recovery Centers at Kannapolis and Statesville, gave a presentation as a provider of crisis services, focusing on programs and implementation, outcomes, challenges and barriers to crisis services.

Julie Sinclair, Crisis Services Director for Southeastern Regional MHDDSAS, reviewed the establishment and current operations of mobile crisis services in her area.

Mike Moseley, Director, DMH, gave an update on the Secretary's Regional UR proposal, pointing out the foundation that created the cost model and stating that the LMEs have been unable or unwilling to achieve the economies of scale assumed by the model.

Carol Clayton, Director of the N.C. Council of Community Programs, responded to the Secretary's proposal by requesting that the Secretary consider four points: 1) allow local communities to make their own decisions about how to best partner and create more efficiencies; 2) allow LMEs adequate time to digest the information and to make changes; 3) provide specific information regarding the target the Secretary is trying to achieve and how much money must be spent on the management function; and 4) work together to create efficiencies in order to reallocate dollars.

Patrice Roesler from the Association of County Commissioners, responded to the Secretary's proposal, encouraging members to look at the public value financial accountability, additional oversight gained by having proximity to the clients, and the number of counties in each proposed region.

December 14, 2005

The Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities and Substance Abuse Services held its fourth meeting on Wednesday, December 14, 2005, at 12:30 P.M. in Room 544 of the Legislative Office Building.

Lisa Hollowell, Fiscal Research Division, gave a presentation on cash flow issues, addressing cash flow problems at the State, LME, and provider levels.

Senator Nesbitt, Co-Chair, announced that an Advisory Committee made up of three House members and three Senate members would be appointed to the LOC. He welcomed Senator Larry Shaw to the meeting. Advisory members have an interest in the issues, but serve as non-voting members who otherwise participate fully.

Kory Goldsmith, Research Division, provided an overview of the reform legislation addressing the core services of screening, assessment, and referral. Twenty-five of the twenty-nine LMEs had signed a performance contract with the State for 2004-2007 that further specifies their obligations for these core services.

Susan Campbell, Manager of Access and Care Management of the Guilford Center, spoke about an LME's experience in developing an access line and providing this service. She introduced Jeff McCloud of the N.C. Mental Health Consumers Organization who demonstrated how the access line worked by calling the Guilford Center's 1-800 number. The committee listened to a conversation between Mr. McCloud and a trained call center representative.

Committee members then listened to a discussion by LME directors and medical directors regarding the factors and barriers affecting the development of LME functions. The panel included: Joy Futrell, Area Director, Roanoke-Chowan Human Services Center; Ms. Ellen S. Holliman, Area Director, Durham Center; Dr. Beth Stanton, Medical Director, New Vistas Behavioral Health Service, Asheville; and Mr. Michael Watson, Area Director, Sandhills Center.

Mike Moseley, Director, DMH, then gave a Division update on regional UR and the status of the Medicaid State Plan amendment. He explained that the Federal Centers for Medicare and Medicaid Services (CMS) delay is the approval of the new Service Definitions continued to be a major destabilizing issue.

<u>January 26, 2006</u>

The Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities and Substance Abuse Services held its fifth meeting on Thursday, January 26, 2006, at 9:30 A.M. in Room 643 of the Legislative Office Building.

Representative Insko, Co-Chair, asked Leza Wainwright, Deputy Director, DMH, to come forward and give an overview of community services for the Developmental Disabilities (DD) population. Ms. Wainwright began with an explanation of the topics covered in her presentation, explaining how DD was defined in G.S. 122C-3(12a) and listed the State funded services for DD. Ms. Wainwright then reviewed the Medicaid funded DD services explaining the criteria for ICF/MR (Intermediate Care Facility/Mental Retardation) eligibility and the guidelines for Home and Community Based waivers. The average cost per person, per waiver last year was $43,000 and the average for ICF/MR was $86,000.

Diann Irvin, Section Chief, Behavioral Support Services with the Department of Public Instruction, addressed how public schools were going to identify those children who would lose CBS services in schools and how the services might be replaced.

Dave Richard, Director of the ARC of North Carolina and representing the DD Consortium, said that the Consortium responded favorably to the Department's plan to replace CBS services, but expressed concern over the short amount of time the LMEs, provider organizations, and State agencies had for implementation.

Representative Insko then asked a panel consisting of a consumer, a provider, a family member and advocates to give their experiences with community services for the DD population. Jill Hinton Keel, Director of the Autism Society of North Carolina, Kathy Bryan, Director of Orange Enterprises, Laura Gorycki, an advocate for individuals and families from the Enrichment Center in Winston-Salem, Jim Woolsey, a parent of a developmentally disabled son, and Rose Reaves, a consumer, participated in the panel.

Mike Moseley, Director, DMH, gave an update on the CMS approval of the new service definitions and stated that the new services would become effective March 20, 2006. Mr. Moseley briefly covered the Provider endorsement process and said that since the State Plan amendment was approved, 646 providers had been endorsed statewide. Mr. Moseley then gave an update on the Secretary's proposal for regional Utilization Review (UR) and Screening, Triage and Referral (STR), providing an estimated net cost savings of $14.5 million in State dollars.

Leza Wainwright, Deputy Director, DMH, addressed the requirements of the use of non-Medicaid funds. She addressed the ability of LMEs to shift funds from one age/disability category to another.

February 16, 2006

The Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities and Substance Abuse Services held its sixth meeting on Thursday, February 16, 2006, at 9:00 A.M. in Room 643 of the Legislative Office Building.

Leza Wainwright, Deputy Director, DMH, reviewed the new and modified service definitions for adults and children with mental illness. She stated that the new service definitions would go into effect March 20, 2006, because according to CMS requirements, the definitions have to be implemented in the same quarter in which they are approved. Ms. Wainwright then spoke about a range of service definitions and discussed a wide range of anticipated issues in implementing those definitions.

Senator Nesbitt, Co-Chair, asked panelists to comment on barriers, challenges and recommendations to develop service capacity for mental health services. The panelists were: Becky Faucette, a family member of an adult with mental illness; Charles Davis, Director, NC Mentor; Anita Harrison, a parent of a child with a mental illness; and Tisha Gamboa, a consumer of mental health services and Executive Director of the NC Mental Health Consumers' Organization.

Senator Nesbitt then asked the substance abuse services panelists to give their comments regarding barriers, challenges and recommendations. The SAS panelists included: Margaret Stargell, CEO of Coastal Horizons; Tamiko Cory consumer in

recovery; Larry Coley, consumer in recovery; and Tim Hall, Chair of the Substance Abuse Federation.

Senator Nesbitt then asked the following panelists to comment on the role of consumers in reform: Dan Herr, Chair, Orange-Person-Chatham County (Consumer and Family Advisory Committee) CFAC; Jeff McLoud, Vice President, NC Mental Health Consumer's Organization; Carol Matthieu, Member of Rockingham County CFAC; and Ron Huber, Member, State CFAC.

Arey Grady, board member of the Neuse Center LME, gave comments regarding the role of the local board in reform and identified challenges facing local boards.

Flo Stein, Chief of Community Policy Management, DMH, then spoke on the new service definitions for Substance Abuse Services, noting that the new definitions would include a more credentialed workforce and generate more Medicaid funding than is currently available.

March 22, 2006

The Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities and Substance Abuse Services held its seventh meeting on Wednesday, March 22, 2006, at 9:00 A.M. in Room 643 of the Legislative Office Building,

Carol Shaw, Fiscal Research Division, gave a presentation on Medicaid eligibility criteria and presented case studies to clarify what types of individuals and situations would and would not qualify for Medicaid coverage.

Lisa Hollowell, Fiscal Research Division, reviewed the 2-year historical budget information for DMH and presented the authorized budget of the current year. Ms. Hollowell then defined the target populations in each of the disability groups and the types of services available to those persons.

Ms. Hollowell explained the method and assumptions she used in calculating an estimation of need for additional funding in North Carolina. She also explained a chart showing 2005 year-end service data listing each LME, the total population served, the year-end budget and expenditures, service dollar allocation per capita, and the average spent on services per client. Ms. Hollowell then gave an update on State Psychiatric hospital downsizing, reviewed the provisions of law showing the direction the General Assembly provided regarding savings and recurring and non-recurring savings that are generated from the closure of beds, and reviewed the annual recurring savings.

Kory Goldsmith, Research Division, gave a review of the special provisions regarding various studies DMH had been directed to undertake, including a study of the financing of the MHDDSAS system originally due July 1, 2005, now due March 1, 2006.

Phillip Hoffman, Chief of Resource/Regulatory Management, DMH, apologized for the delay of the Finance Study report and provided members with an update and an estimated June 2006 delivery date.

Steve Hairston, Chief of Operations Support, DMH, addressed service gaps and the Long Term Plan for meeting MHDDSA service needs and announced that a final report would be submitted June 30, 2006.

Leza Wainwright, Deputy Director, DMH, gave an update on regional Utilization Review and Screening, Triage and Referral (UR/STR) with a brief overview of the application and evaluation process for selecting LMEs to perform UR functions. A review team determined that no LME met the required standards. This means the current Medicaid contractor doing UR for MHDDSA services and previously selected through an RFP process (Value Options) will perform all Medicaid UR functions with the exception of the five counties that comprise the Piedmont catchment area.

The review committee identified five LMEs to perform regional after hours STR. There were some partnerships where a program was not identified as having the capacity to perform the function. A decision as to how to perform the after hours STR in those catchment areas will be determined at a later date.

April 12, 2006

The Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities and Substance Abuse Services held its eighth meeting on Wednesday, April 12, 2006, at 1:30 P.M. in Room 643 of the Legislative Office Building.

Kory Goldsmith, Research Division, reviewed a packet of information that addressed committee member questions from the previous meeting. They included residency requirements by Medicaid; the use of target populations in other states; a chart showing contributions by each county to its LME; and questions regarding Utilization Review (UR) and Screening, Triage, and Referral (STR).

Representative Insko recognized two nationally known experts, Val Bradley with the Human Services Research Institute and Steve Day from Technical Assistance Collaborative, to present an outline of qualitative measures that the federal government and states like North Carolina are utilizing to measure system success. North Carolina already collects most of the data mentioned in the various domains to be measured - data in claims files; demographic information in the client data warehouse; consumer outcomes indicators; quarterly and annual reports from the LMEs; and the National Core Indicators pilot project. Given that North Carolina has the data, what remains is the need to be open to an analysis of the data and interpretation among stakeholders.

Flo Stein, Chief of Community Policy Management, DMH, gave a brief overview of how the Division is gathering and using data and other indicators. Spencer Clark, Director of Operations and Clinical Services, DMH, gave an overview of reports that are currently produced to show the kind of data in existence and how it might be presented.

Kory Goldsmith, Research Division, presented the draft findings and recommendations of the LOC. The findings and recommendations addressed: building community capacity and financing reform, facility-based and non-facility based crisis

services; the Department of Health and Human Services and the Division of MH/DD/SAS.

Senator Nesbitt, Co-Chair, asked members to review the document and to make changes or recommendations so staff could revise the report in time for the next meeting. He said the total amount of the proposal was $104,598,000 in recurring funds and $55,000,000 in non-recurring funds. Senator Malone suggested that a statement be included in the narrative recognizing that the Department had not been given adequate funding to make system reform succeed. Senator Nesbitt added that there had also been a recession that created additional problems.

April 27, 2006

The Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities and Substance Abuse Services met on Thursday, April 27, 2006, at 1:30 P.M. in Room 544 of the Legislative Office Building.

Representative Insko, Co-Chair, said that many comments had been received and incorporated into the revised proposals and other comments were under consideration. She also said that the proposals would be in bill form to be approved at the next meeting on May 10th.

Kory Goldsmith, Research Division, and Andrea Russo, Fiscal Research, reviewed the revised proposals.

Members suggested adding a provision to the report stating that any savings realized from financing the 400 independent and supportive living apartments be used to assist the *Healing Place* and others similar establishments

Representative Insko then asked members of the public who had signed-up prior to the meeting to come forward and provide the Committee with their thoughts on the proposals. Those addressing the Committee were: David Swann, Mike Watson, Mary Short, Martha Brock, Jay Zamagoca, Robin Huffman, Chris Estes, Laurie Coker, Dave Richard, Will Callison, Sally Cameron, Louise Fisher, Paula Cox Fishman, Carol Matthew, Mark Botts, Margaret Weller-Stargell, and Nancy Carey.

Senator Nesbitt, Co-Chair, suggested that the Committee add a paragraph to the report to increase insurance coverage for mental health and to move parity ahead. He also suggested adding a statement in the Introduction stating that this effort is a first step in the solution to reform and the LOC will continue to work and make recommendations to the General Assembly as it moves forward.

COMMITTEE FINDINGS AND LEGISLATIVE PROPOSALS

Introduction

In 2001, the General Assembly adopted significant reform legislation to restructure how services to those with mental illnesses, developmental disabilities and substance abuse issues would be delivered. The foundations of reform included: local management of the system, decreased reliance on State institutions, community based best practice treatments, increased consumer involvement, access to multiple and qualified providers, and performance and fiscal accountability to the State and local governments. As part of the legislation, the General Assembly directed the Secretary of DHHS ("Secretary") and the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services ("Division") to undertake administering massive system reform. The reform has been overseen by the General Assembly and the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services (LOC).

The reform effort never assumed that the system was adequately or fairly funded. It did attempt to shift resources from the State to the local level, to target services to those with the most severe disabilities, and to gain administrative efficiencies and economies of scale through consolidation. In 2001, the General Assembly created the Mental Health Trust Fund and made a significant appropriation of $50 million to assist reform. However, reform has taken place during a time of significant budget shortfalls and intervening events have severally diminished both the size of the Trust Fund and the State's ability to make up the

shortfalls. As a result, during the five years of implementation, the State has not fully funded existing programs nor provided sufficient funds to build service capacity at the local level. LOC staff has estimated that it would cost $172,585,338 to bring the current level of services to all who are eligible and who would also seek services. This figure does not take into account any increase in the array or availability of services. Other estimates of the State's need range from an additional $475 million to fully fund substance abuse services over 5 years and $285 million to bring North Carolina's per capita spending for mental health services near the national average.

In recognition of these shortcomings, the LOC makes the findings and proposals on the following pages. The total appropriations recommended herein are $156,603,769. Of that, $100.3 million are recurring funds and $56.3 million are non-recurring. The LOC recognizes that additional funds will need to be appropriated in the future to fully implement a mental health, developmental disabilities, and substance abuse system. However, the proposals in this report constitute a bold step forward. The LOC believes this is an appropriate amount of new funding at this point in time and that it will move the system significantly towards its goals.

1. State Funding for MH/DD/SA Services and Funding Allocations

The total (state and federal) actual expenditures for FY04/05 for the mental health, developmental disabilities, and substance abuse system (MH/DD/SA) were $1,102,393,603.[1] Of those funds, 52% or $575,965,746 paid for the State institutions and 3% or $36,597,727 paid for administration. The remaining 44% or $489,830,130 was used to pay for community programs. Of the total funds appropriated by the State, $580,479,364 (or 53%) were state funds.

[1] This amount does not include Medicaid funds flowing to the community or directly to providers.

In FY2005, the average State funds expended per person served with a developmental disability were $10,192. The average State funds expended per person served with a mental illness were $1,001. The average State funds expended per person served with a substance abuse diagnosis were $1,028. During FY2005, the State paid a total of $124,951,834 in claims for developmental disability services, $87,037,667 in claims for mental health services, and $28,702,300 for substance abuse services.

According to "The State of the States in Developmental Disabilities: 2005" by the Department of Psychiatry and Coleman Institute for Cognitive Disabilities at the University of Colorado, North Carolina ranks 26th in "fiscal effort"[2] in total spending for MR/DD services. Applying this same measure for mental health services and substance abuse services, North Carolina ranked 44th in fiscal effort for mental health services and 27th in fiscal effort for substance abuse services[3]. According to a report issued by the North Carolina Psychiatric Association, it would cost an additional $285,500,000 to bring North Carolina's per capita spending on mental health services to 88.8% of the national per capita spending in FY2002-2003.[4] According to the 2001 report to the LOC by MGT of America[5], the estimated cost of implementing a complete substance abuse system in North Carolina over a 5-year period would require an additional $71,000,000 funding in FY 2003,

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[2] In this report, "fiscal effort" is defined as spending for services per $1,000 of aggregate statewide personal income.

[3] For mental health services "fiscal effort", staff used the data from National Alliance on Mental Illness. Grading the States: A Report on America's Health Care system for Serious Mental Illness, published March 1, 2006. For substance abuse services, staff used statewide substance abuse spending data obtained from SAMHSA and population and income figures from the 2000 Census.

[4] The 88.8% figure represents North Carolina's average income in relationship to the national average income.

[5] MGT of America. Study of Mental Health/Substance Abuse Facilities and Their Role in North Carolina's System of Care, Final Report to the Joint Legislative Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, October 2001.

$74,000,000 for FYs 2004 and 2005, and an additional $127,000,000 in FYs 2006 and 2007. According to information provided to the LOC by committee staff, the estimated State funds that would be needed to serve the estimated target populations who are not Medicaid eligible and who would seek public services would be $172,585,338.[6] This amount represents what it would cost to serve more consumers based on current State spending per consumer.

Unlike Medicaid, access to State-funded services is not an entitlement. It is the primary source for indigent care and services not covered by Medicaid. State funding for services has remained stagnant since 2001. There have been small, isolated budget increases mixed with budget reductions. There have been no inflationary increases. During this same time period, North Carolina's population has increased by an estimated 7%.

Due to changes in federal policy, the service known as Developmental Therapies will no longer be a Medicaid reimbursable service when provided to developmentally disabled individuals. Because of this change, the Division has submitted, and it is the LOC's understanding that the Governor's Budget will include, a request for $29,435,119 in recurring funds to cover the service. While the LOC does not oppose this request, if funded, it will have the effect of further exacerbating the disparity between the State expenditures for disability groups.

Most of the State appropriations are divided into disability and age categories, and the units of local government that administer and manage the MH/DD/SA system (LMEs) are restricted from shifting funds between disabilities. LMEs report having difficulty spending down certain funds, especially related to substance abuse services.

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[6] Fiscal Research Division, Budget Overview of the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, March 2006.

There is no equitable or rational allocation of State funds between LMEs. Excluding Cross Area Service Program funding, the highest SFY 2005-2006 State Service Dollar allocation per capita of catchment area is $48.18, and the lowest is $21.80. The State allocation per capita is $34.15. The median State service dollar per capita is $37.65. Although the reform legislation of 2001 recognized the need to address this situation, to date, neither the LOC nor the Division have developed any recommendations.

2. Building Community Capacity/Financing Reform

In 1999, the United State Supreme Court held in Olmstead v. L.C. and E.W. that states have an obligation to provide community-based treatment for persons with mental disabilities. In 2001, the General Assembly created the Mental Health Trust Fund (Trust Fund, G.S. 143-15.3D) and appropriated $50 million to it. In that same year, the Governor used his emergency powers to transfer $37.5 million from the Trust Fund due to the budget crisis. Although the General Assembly has appropriated over $30 million to the Trust Fund since 2001, those amounts have not been sufficient to replace what was lost and have not been sufficient to successfully implement system reform.

The LOC recognizes that affordable and appropriate housing is a critical element of a community's capacity to successfully transition MH/DD/SAS consumers from institutions to the community. There are not sufficient affordable and appropriate housing resources for MH/DD/SAS consumers in this State and that situation significantly impedes the State's ability to comply with Olmstead.

G.S. 143-15.3D(b) provides that the purposes for which the funds in the Trust Fund may be used are:

(1) Start-up and operating support for cost-effective community treatment alternatives for individuals currently residing in the State's mental health, developmental disabilities, and substance abuse services institutions.

(2) Facilitate the State's compliance with the United States Supreme Court decision in Olmstead v. L.C. and E.W.

(3) Facilitate reform of the mental health, developmental disabilities, and substance abuse services system and expand and enhance treatment and prevention services in these program areas to remove waiting lists and provide appropriate and safe services for clients.

(4) Provide bridge funding to maintain appropriate client services during transitional periods as a result of facility closings.

(5) Construct, repair, and renovate State mental health, developmental disabilities, and substance abuse services facilities.

The 2001, 2003, and 2005 budgets provide that recurring savings realized from downsizing of the of State psychiatric hospitals would be retained by DHHS for implementation of the hospital downsizing and to support the recurring costs of additional community-based placements. In 2003, the General Assembly passed the Psychiatric Hospital Financing Act (S.L. 2003-314). It provided that the new psychiatric hospital would be financed through certificates of participation. It also amended the Mental Health Trust Fund to provide that recurring savings realized from the closure of any State psychiatric hospitals would not revert to the General Fund but would be used for the payment of debt service for the construction of a new State psychiatric hospital. Any remainder not needed for the debt service was to be credited to the Department of Health and Human Services to be used only for compliance with the Olmstead decision and to facilitate mental health reform. The provisions regarding the use of recurring savings from hospital downsizing

contained in the 2005 Budget and in the Psychiatric Hospital Financing Act appear to be inconsistent.

Downsizing of the State psychiatric hospitals has slowed substantially in the last few years due to the lack of community capacity to successfully place MH/DD/SAS consumers in the community. The estimated debt service on new psychiatric hospital for State fiscal year 2006-2007 will be $6,206,680. To date, the Division has realized $3.4 million dollars in recurring savings from downsizing the Dorothea Dix and John Umstead psychiatric hospitals that can be used to offset the projected debt service in FY 06-07 and thereafter. There are not sufficient savings being realized from downsizing to meet fully the debt service cost, and there are no excess funds to shift to community programs.

The apparent inconsistency regarding the use of recurring savings from downsizing combined with the delay in realized savings from downsizing impedes the State's ability to comply with Olmstead and implement system reform.

According to a collaborative project published by the North Carolina Health Education Centers (NC AHEC), the Department of Psychiatry and Behavioral Sciences, Duke University School of Medicine, and the Cecil G. Sheps Center for Health Service Research, UNC-CH,[7] North Carolina ranks 20th in the nation in psychiatrists per 10,000 population, but due to the state's rapid populations increases, that situation is expected to worsen in the coming years. In addition, 44 counties have a shortage of general psychiatrists, and 43 counties have no child psychiatrists. Also, due to the slow growth in the supply of psychiatrists, public mental health provider groups and especially rural provider groups face stiff competition in recruiting and retaining psychiatrists to their practices. According to

[7] "The Supply and Distribution of Psychiatrists in North Carolina: Pressing Issues in the Context of Mental Health Reform, January 2006.

a report published by the National Conference of State Legislators[8] almost one in five children in the U.S. has a diagnosable mental disorder. However, only about 20-25% of those children receive treatment. The gap in treatment is attributed in part to the lack of child and adolescent psychiatrists. Some states are addressing these issues by expanding the use of telemedicine practices to serve children in rural areas. Congress is considering establishing education incentives to recruit child psychiatry residency programs with and estimated cost of $45 million for FY 2006 to 2007.[9]

3. Facility-based and Non-Facility based Crisis Services

G.S. 122C-2 provides that, within available resources, State and local government shall ensure that certain "core services", including emergency services, are available to all persons in this State. G.S. 122C- 115.2(b)(1)h. requires area authorities and county programs to develop a business plan that ensures access to core services, including crisis services. G.S. 122C-117(a)(14) provides that crisis services do not require prior authorization, shall be designed for prevention, intervention and resolution, do not consist solely of triage and transfer, and shall be provided in the least restrictive setting possible consistent with individual and family needs and community safety.

Appropriate crisis services are not consistently available across the State. There are not a sufficient number of community hospital psychiatric beds to meet local needs. At least three catchment areas have no community hospital psychiatric beds available. At least four catchment areas have no facility-based crisis services available, and those facilities that are available frequently serve limited populations.

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[8] "Child Psychiatrist Shortage Looms", Michelle Herman, March 2006.
[9] The Child Health Care Crisis Relief Act (H.R. 1106/S 537).

Certain crisis services, especially those that are facility-based, must serve large regions in order to be cost effective.

Area authorities and county programs do not have sufficient "start-up" funds to develop and establish new crisis services. There are inadequate State funds to pay for crisis services to the non-Medicaid eligible population.

Certain crisis services must be available at all times regardless of whether the service is being utilized at any particular time. However, the fee for service structure makes it difficult for area authorities and county programs to ensure that necessary professionals will be accessible at all times. It is not clear whether the approved rate for psychiatrists will be sufficient to assure that those services will be available on a continuous basis.

4. Department of Health and Human Services/Division of MH/DD/SAS

In 2001, the General Assembly directed the Secretary of DHHS and the Division of MH/DD/SAS to undertake administering massive system reform. This reform has taken place during a time of budget crisis and changing federal requirements. While recognizing that this undertaking has been extremely challenging, that the State has not fully funded the system, and that the task is not finished; in order to be successful, the Secretary and the Division must demonstrate strong leadership and vision in the future.

The State Plan has been reissued each year but has not functioned as the strategic planning document that the General Assembly requested. In particular, it is not clear whether the plans are cumulative or supersede each other, which tasks have been accomplished and which are left to be done, and whether system reform is improving services to consumers.

The Secretary has failed to adopt rules as directed under G.S. 122C-112.1, failed to utilize her authority when approving business plans to move area

authorities and county programs towards greater administrative efficiencies, and has implemented policy in a manner that produced distrust among stakeholders and threatened to further destabilize a fragile system.

The Division has allowed the time-lines for State and local implementation to become disconnected, has failed to provide sufficient technical assistance to LMEs, and has been reluctant to impose "State-wideness" in situations where uniform standards have been necessary.

5. Local Management Entities (LMEs)

The role of local MH/DD/SAS programs changed significantly under system reform from that of a service provider to a manager of services. As a result, local programs may only provide services if they receive a waiver from the Secretary. The managerial powers and duties of local programs are not as clearly defined and must be inferred from the statutory requirements of the local business plan.

The responsibility of LMEs to conduct utilization review (UR) for Medicaid services is not clearly articulated in Chapter 122C. It appears that LMEs were expected to develop that capacity for the following reasons: the LME cost model includes funding for this function; the Division solicited applications from LMEs to receive approval to implement the function; and the 2005 RFP for a State-wide Medicaid UR vender provided that between 2 and 6 LMEs were expected to conduct UR during the contract period. Despite these expectations, the Secretary has determined that all Medicaid UR will be conducted by a state-wide vendor for at least the next three years. While the LOC recognizes the Secretary's obligation under Medicaid to ensure "State-wideness", it finds that the process she undertook to implement this significantly undermined the stability of the public system. The LOC also finds that by removing this function from the public sector, the Secretary

may significantly undermine the ability of LMEs to manage services in their catchment areas. In light of these changes, the LOC finds that utilization review for State-funded services and screening, triage and referral of all crisis calls are necessary components to the management role of local programs.

In 2001, the General Assembly directed the Secretary to develop a plan to accomplish the consolidation of area authorities so that by January 1, 2007, there would be 20 total programs. While Chapter 122C does specifically mandate consolidation, the General Assembly's intent was clear. The Secretary did not utilize her statutory authority to achieve consolidation through the approval of local business plans and there are currently 29 LMEs. According to the Secretary's report to the General Assembly, there are very few additional mergers to be realized. The LOC finds that additional consolidations are necessary to accomplish system reform.

In 2001, the General Assembly recognized that competent management was critical to the success of system reform. It amended G.S. 122C-121(d) to provide that area programs directors must have a master's degree, as well as related and managerial experience. The LOC finds that the success of an area program is largely dependent upon the ability of the director to understand and implement system reform. It also finds that the current statutory qualifications are drawn very broadly and may not capture the necessary skills. The LOC also finds that the position of LME finance officer is critical to sound fiscal management, but there are no statutory requirements for that position.

G.S. 122C-119.1 requires all area board members to "receive initial orientation" on their responsibilities. It also requires DHHS to provide training in "fiscal management, budget development, and fiscal accountability". The LOC

finds that it is critical that board members receive this training and that there should be some mechanism to enforce this requirement.

6. Consumers

In 2001, the General Assembly recognized the importance of consumers in system reform. It directed that the State Plan provide for "consumer involvement in planning and management of system services". The State Plan directed that each LME establish a local Consumer and Family Advisory Committee (CFAC) and charged the CFACs with participating in and commenting on the LMEs business plans and operating budgets. The State Plan also created the State CFAC, whose members are appointed by the Secretary.

The LOC finds that it is important to focus and formalize the advisory role of consumers in system reform. It also finds that representation on the State CFAC should be broadened to include appointments by other stakeholders.

7. Providers

Providers are one of the major components in system reform and service delivery. The success of reform depends in large part upon a provider system in which high quality services are available in sufficient quantity to meet the identified needs of consumers. However, at the same time that the public system has needed more and better providers to deliver services, a variety of circumstances have made it very difficult for both established and newly created providers to survive financially.

LMEs have adopted differing provider contracts and required differing levels of utilization control. There has not been a uniform definition of what constitutes a *clean claim,* resulting in confusion in what is required for billing and delays in payments. Providers also report excessive and unnecessary paperwork in order to obtain authorization to provide services.

System reform also requires providers to implement new services based upon evidence based-practices. Utilization of these best practices will result in better services to consumers, and will be a better use of public funds because the services have been shown to be more effective.

The Division has developed a Provider Action Agenda to address many of these issues. The authority of the Division to implement uniform processes and procedures should be clarified.

8. Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services

The Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities and Substance Abuse Services was created in 2000 to develop a plan for reform of the MH/DD/SA system. The committee and its multiple subcommittees met repeatedly during the interim and into the Regular Session of the 2001 General Assembly. The resulting legislation (HB 381, S.L. 2001-437) significantly restructured the system and put in place the framework of reform. The foundations of reform include: local management of the system, decreased reliance on State institutions, community based best practice treatments, increased consumer involvement, access to multiple and qualified providers, and performance and fiscal accountability to the State and local governments.

The LOC is charged with examining on a continuing basis system-wide issues affecting the development, financing, administration, and delivery of MH/DD/SA services. It is also charged with studying the budget, programs, administrative organization, and policies of DHHS to determine ways in which the General Assembly may encourage improvement in mental health, developmental disabilities, and substance abuse services provided in North Carolina. In this capacity, the LOC has replaced the Legislative Study Commission on Mental

Health, Developmental Disabilities, and Substance Abuse Services (Commission) as the legislative entity monitoring the MH/DD/SA system. The Commission has been inactive since passage of the reform legislation, and all reports previously submitted to the Commission now come to the LOC.

9. Increased Insurance Coverage

The LOC recommends that private and public insurance providers increase the amount of coverage they offer their members, and that the coverage include treatment for mental illness and substance abuse.

Conclusion

The Legislative Oversight Committee on Mental Health, Developmental Disabilities and Substance Abuse Services makes the following eight recommendations to the 2006 Regular Session of the 2005 General Assembly. Each proposal is followed by a bill draft and, if it has a fiscal impact, a fiscal memorandum indicating any anticipated revenue gain or loss resulting from the proposal.

1. Increase State funding for MH/DD/SA Services
2. MH/DD/SA Community Capacity/Financing Reform
3. Increase MH/DD/SA Crisis Services
4. Strengthen State MH/DD/SA Reform
5. Strengthen LMEs
6. Consumer and Family Advisory Committees
7. Strengthen MH/DD/SA Private Providers
8. Strengthen LOC Oversight Role

LEGISLATIVE PROPOSAL #1

INCREASE STATE FUNDING FOR MH/DD/SA SERVICES

LEGISLATIVE PROPOSAL #1:

A RECOMMENDATION OF THE LEGISLATIVE OVERSIGHT COMMITTEE FOR MH/DD/SAS
TO THE 2005 GENERAL ASSEMBLY, 2006 SESSION

AN ACT TO INCREASE STATE FUNDING AND FLEXIBILITY FOR MH/DD/SA SERVICES.

SHORT TITLE: **Increase State funding for MH/DD/SA Services**

BRIEF OVERVIEW: This bill would:

1. Appropriate $72,888,259 (recurring) to be used for state-funded services to be allocated as follows:
   a. $29,435,119 for Development Therapy services for the developmentally disabled.
   b. $21,726,070 to be used for State funded mental health services.
   c. $21,726,070 to be used for State funded substance abuse services.
   d. The funds allocated for mental health and substance abuse services would be allocated to those LMEs whose current state service dollar allocation per capita is less than the median State service dollar per capita allocation ($37.65) based on the SFY 05-06 allocations.
2. Allow LMEs the flexibility to shift up to 15% of their funds between age and disability categories. This provision would sunset July 1, 007.

EFFECTIVE DATE: This bill would become effective July 1, 2006.

A copy of the proposed legislation begins on the next page

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

U D

BILL DRAFT 2005-RCz-23 [v.8] (04/27)

(THIS IS A DRAFT AND IS NOT READY FOR INTRODUCTION)
5/11/2006 10:32:54 AM

Short Title: Increase State funding for MH/DD/SA Services. (Public)

Sponsors: .

Referred to:

A BILL TO BE ENTITLED

AN ACT TO INCREASE STATE FUNDING AND FLEXIBILITY FOR MENTAL HEALTH, DEVELOPMENTAL DISABILITIES AND SUBSTANCE ABUSE SERVICES AS RECOMMENDED BY THE JOINT LEGISLATIVE OVERSIGHT COMMITTEE FOR MENTAL HEALTH, DEVELOPMENTAL DISABILITIES AND SUBSTANCE ABUSE SERVICES.

The General Assembly of North Carolina enacts:

SECTION 1. There is appropriated from the General Fund to the Department of Health and Human Services the sum of seventy-two million eight hundred eighty-eight thousand two hundred fifty-nine dollars ($72,888,259) for the 2006-2007 fiscal year that to be allocated as follows:

1. $29,435,119 to pay for developmental therapies for the developmentally disabled. The Division shall develop rigorous care management requirements for this service.
2. $21,726,070 to pay for mental health services.
3. $21,726,070 to pay for substance abuse services.
4. The funds allocated under subsections (2) and (3) of this section shall be allocated to those area authorities and county programs where the current state service dollar allocation per capita is less than the median state service dollar per capita allocation, which is $37.65 based upon the State fiscal year 2005-2006 allocations.

SECTION 2. Notwithstanding G.S. 143-23, an area authority or a county program may transfer from one age or disability category to a different age or disability category up to fifteen percent (15%) of the funds initially allocated to the age or disability category from which funds are being transferred. Area authorities and county programs shall:

(1) publicly document that they have addressed the service needs of the category from which the funds are being transferred before any transfer may occur, and

(2) submit the required documentation to the Division of Mental Health, Developmental Disabilities and Substance Abuse Services and to the Fiscal Research Division within 15 days of making the transfer.

SECTION 3. This act becomes effective July 1, 2006. Section 2 expires July 1, 2007. The Fiscal Research Division shall track the allocation and utilization of the funds appropriated under this act.

LEGISLATIVE PROPOSAL #2

MH/DD/SA COMMUNITY CAPACITY/FINANCING REFORM

LEGISLATIVE PROPOSAL #2:

A RECOMMENDATION OF THE LEGISLATIVE OVERSIGHT COMMITTEE FOR MH/DD/SAS
TO THE 2005 GENERAL ASSEMBLY, 2006 SESSION

AN ACT TO APPROPRIATE FUNDS TO INCREASE INDEPENDENT AND SUPPORTIVE LIVING APARTMENTS FOR PERSONS WITH MH/DD/SA DISABILITIES; TO REVISE THE PSYCHIATRIC HOSPITAL FINANCING ACT; TO CREATE INCENTIVES FOR PSYCHIATRISTS TO WORK IN UNDERSERVED COMMUNITIES; AND TO APPROPRIATE FUNDS TO THE MENTAL HEALTH TRUST FUND.

SHORT TITLE: **MH/DD/SA Community Capacity/Financing Reform**

BRIEF OVERVIEW: This bill would:

1. Finance 400 independent- and supportive-living apartments for individuals with MH/DD/SA disabilities.
   a. Appropriate $12,050,830 (non-recurring) to provide an operating cost subsidy for the apartments for 10 years.
   b. Appropriate $11,250,000 (non-recurring) to the North Carolina Housing Trust fund to finance the apartments.
2. Appropriate $713,000 (recurring) for on-going operations support and $370,000 for start-up expenses (non-recurring) to support 12 group home beds and 93 apartments financed through the United States Department of Housing and Urban Development
3. Appropriate $20,000,000 (non-recurring) to the Mental Health Trust Fund.
4. Appropriate $6,206,680 (recurring) for hospital debt service and reconcile the provisions of the Psychiatric Hospital Financing Act and the 2005 Budget so that debt service is paid from appropriations and savings from downsizing are used for building community capacity.
5. Appropriate $1,000,000 (recurring) to AHEC/Rural Health Program to develop a program, which may include loan repayment, to recruit psychiatrists to rural and underserved areas to provide community services.

EFFECTIVE DATE: The bill would become effective July 1, 2006.

A copy of the proposed legislation and fiscal memorandum begin on the next page

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

U D

BILL DRAFT 2005-RCz-22 [v.9] (04/27)

(THIS IS A DRAFT AND IS NOT READY FOR INTRODUCTION)
5/9/2006 2:09:35 PM

Short Title: MH/DD/SA Community Capacity/Financing Reform. (Public)

Sponsors: (By Request).

Referred to:

A BILL TO BE ENTITLED

AN ACT TO APPROPRIATE FUNDS TO INCREASE INDEPENDENT AND SUPPORTIVE LIVING APARTMENTS FOR PERSONS WITH MENTAL ILLNESS, DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE ADDICTIONS, TO REVISE THE PSYCHIATRIC HOSPITAL FINANCING ACT, TO CREATE INCENTIVES FOR PSYCHIATRISTS TO WORK IN UNDERSERVED COMMUNITIES, AND TO APPROPRIATE FUNDS TO THE MENTAL HEALTH TRUST FUND AS RECOMMENDED BY THE JOINT LEGISLATIVE OVERSIGHT COMMITTEE ON MENTAL HEALTH, DEVELOPMENTAL DISABILITIES AND SUBSTANCE ABUSE SERVICES.

The General Assembly of North Carolina enacts:

PART I. HOUSING

SECTION 1. There is appropriated from the General Fund to the Department of Health and Human Services the sum of twelve million fifty thousand eight hundred thirty dollars ($12,050,830) for the 2006-2007 fiscal year to be placed in the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs. The Department shall work with the North Carolina Housing Finance Agency to use the funds to provide an operating cost subsidy for at least four hundred (400) independent and supportive living apartments for individuals with mental illness, development disabilities, and substance abuse addictions. The apartments shall be affordable to those with incomes at the Supplemental Security Income (SSI) level.

SECTION 2. There is appropriated from the General Fund to the North Carolina Housing Finance Agency (HFA) the sum of eleven million two hundred fifty thousand dollars ($11,250,000) for the 2006-2007 fiscal year to be placed in the North Carolina Housing Trust Fund. The funds shall be used to finance the construction of at least four hundred (400) independent and supportive living apartments for individuals

with mental illness, development disabilities, and substance abuse addictions. whose incomes are at the Social Security level. The apartments shall be affordable to those with incomes at the Supplemental Security Income (SSI) level. If HFA is able to finance the apartments for less than the amount appropriated under this Section, any remaining funds as well as any interest earned on the amount appropriated may be used to finance additional apartment, group homes, and transitional housing for individuals with mental illness, development disabilities, and substance abuse addictions.

SECTION 3. There is appropriated from the General Fund to the Department of Health and Human Services for the 2006-2007 fiscal year the sum of seven hundred thirteen thousand dollars ($713,000) for on-going operations support and three hundred seventy thousand dollars ($370,000) for start-up expenses to be placed in the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs to support 12 group home beds and 93 apartments financed through the United States Department of Housing and Urban Development

PART II. MENTAL HEALTH TRUST FUND

SECTION 4. There is appropriated from the General Fund to the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs the sum of twenty million dollars ($20,000,000) for the 2006-2007 fiscal year.

SECTION 5. Section 10.24.(b) of S.L. 2005-276 reads as rewritten:

"**SECTION 10.24.(b)** The Department shall use not less than fifty percent (50%) of moneys in the Trust Fund established pursuant to G.S. 143-15D for the ~~2005-2006~~ 2006-2007 fiscal year for nonrecurring start-up funds for community-based services, including funding for existing area program services to transition to the private sector or to another public service agency. Moneys in the Trust Fund may be used to expand recurring community-based services only if sufficient recurring funds can be identified within the Department from funds currently budgeted for mental health, developmental disabilities, and substance abuse services, area mental health programs or county programs, or local government."

PART III. PSYCHIATRIC HOSPITAL DEBT SERVICE

SECTION 6. G.S. 143-15.3D(c) reads as rewritten:

"(c) Notwithstanding G.S. 143-18, any nonrecurring savings in State appropriations realized from the closure of any State psychiatric hospitals that are in excess of the cost of operating and maintaining a new State psychiatric hospital shall not revert to the General Fund but shall be placed in the Trust Fund and shall be used for the purposes authorized in this section. Notwithstanding G.S. 143-18, recurring savings realized from the closure of any State psychiatric hospitals shall not revert to the General Fund but shall be ~~used for the payment of debt service on financing contract indebtedness authorized pursuant to Article 9 of Chapter 142 of the General Statutes for the construction of a new State psychiatric hospital. Any remainder not needed for this debt service shall be~~ credited to the Department of Health and Human Services to be used only for the purposes of subsections (b)(2) and (b)(3) of this section."

SECTION 7. There is appropriated from the General Fund to the Reserve for Debt Service the sum of six million two hundred six thousand six hundred eighty

dollars ($6,206,680) for the 2006-2007 fiscal year. The funds shall be used to pay the debt service incurred by the financing of the new psychiatric hospital to replace the Dorothea Dix and John Umstead State psychiatric hospitals. It is the intend of the General Assembly to use funds from the General Fund to pay the debt service on the new psychiatric hospital. The Department of Health and Human Services shall redirect any funds previously budgeted for debt service on the new psychiatric hospital to the purposes authorized under G.S. 143-15.3D(b)(2) and (b)(3).

PART IV. RECRUITING AND RETAINING COMMUNITY PSYCHIATRISTS

SECTION 8. There is appropriated from the General Fund to the Board of Governors of The University of North Carolina for the 2006-2007 fiscal year the sum of one million dollars ($1,000,000) to be allocated to the UNC-CH Area Health Education Centers (AHEC) program. AHEC shall use the funds to develop and implement a program to recruit psychiatrists to rural and underserved areas to provide community services. The program may include student loan repayment.

SECTION 9. This act becomes effective July 1, 2006. The Fiscal Research Division shall track the allocation and utilization of the funds appropriated under this act.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

FISCAL ANALYSIS MEMORANDUM

[This confidential fiscal memorandum is a fiscal analysis of a draft bill, amendment, committee substitute, or conference committee report that has not been formally introduced or adopted on the chamber floor or in committee. This is not an official fiscal note. If upon introduction of the bill you determine that a formal fiscal note is needed, please make a fiscal note request to the Fiscal Research Division, and one will be provided under the rules of the House and the Senate.]

DATE: May 9, 2006

TO: Representative Insko and Senator Nesbitt

FROM: Jennifer Hoffmann
Fiscal Research Division

RE: 2005-RCz-22 [v.10]

FISCAL IMPACT

Yes (X) **No ( )** **No Estimate Available ( )**

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
REVENUES:					
EXPENDITURES:					
General Fund (GF)					
DHHS Trust Fund for MH/DD/SA	32,050,830				
Division of MH/DD/SA	1,083,000	713,000	713,000	713,000	713,000
NCHFA Housing Trust Fund	11,250,000				
Reserve for Debt Service	6,206,680	8,982,355	8,980,433	8,982,269	8,980,401
University of NC AHEC	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
GF TOTAL	51,590,510	10,695,355	10,693,433	10,695,269	10,693,401
POSITIONS (cumulative):					

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Health and Human Service, Division of Mental Health, Developmental Disabilities, and Substance Abuse; NC Housing Finance Agency; UNC, Area Health Education Centers; Trust Fund MH/DD/SA and Bridge Funding Needs; Reserve for Debt Service

EFFECTIVE DATE: July 1, 2006

BILL SUMMARY:
Section 1 appropriates $12,050,830 on a non-recurring basis from the General Fund to the Department of Health and Human Services to be placed in the Trust Fund for Mental Health, Developmental Disabilities and Substance Abuse Services and Bridge Funding Needs (Trust Fund for MH/SDD/SA) to provide an operating cost subsidy for independent and supportive living apartments.
Section 2 appropriates $11,250,000 on a non-recurring basis from the General Fund to the Housing Finance Agency to be placed in the North Carolina Housing Trust Fund to finance the construction of independent and supportive living apartments.
Section 3 appropriates from the General Fund to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities and Substance Abuse the following: $713,000 for on-going operations support and $370,000 for start-up expenses to support 12 group home beds and 93 apartments financed through the United States Department of Housing and Urban Development.
Section 4 appropriates $20,000,000 on a non-recurring basis from the General Fund to the Trust Fund for MH/DD/SA for the uses set out in the Trust Fund statute.
Section 6 rewrites a section of the Trust Fund for MH/DD/SA (G.S. 143-15.3D(c)) by deleting the directive that the recurring savings realized from the closure of any State psychiatric hospital shall be used to repay the debt service incurred for the construction of the new State psychiatric hospital. Clarifies that the recurring savings shall be credited to the Department of Health and Human Services for community-based services.
Section 7 appropriates $6,206,680 from the General Fund to the Reserve for Debt Service in FY 2006-07 for the debt service associated with the construction of the new psychiatric hospital. States the intent of the General Assembly to appropriate funds from the General Fund for the debt service until the debt is fully paid. Also, directs the Department of Health and Human Service to move funds currently budgeted for the debt service to community-based services.
Section 8 appropriates $1,000,000 on a recurring basis from the General Fund to the University of North Carolina to be allocated to the Area Health Education Centers (AHEC) to develop and implement a program to recruit psychiatrists to rural and underserved areas to provide community services.

ASSUMPTIONS AND METHODOLOGY: The fiscal impact of the sections that contain a direct appropriation is the amount of the appropriation (see table on page 1). Sections 1, 2, 3 and 4 all contain non-recurring appropriations that affect the 2006-07 fiscal year only. Sections 3 and 8 contain recurring appropriations that affect all future General Fund budgets unless the General Assembly takes action to remove these items from the budget. Section 7 also contains a recurring appropriation for the repayment of debt service associated with the construction of the new psychiatric hospital. The exact amount of the annual debt service varies in accordance with the debt service schedule and shall continue until the last debt service payment is made in 2027. The 2006 COPS issuance is scheduled for the fall and debt service was calculated using a projected interest rate of 5.75%.

According to the Office of the State Treasurer, actual and estimated debt service costs for the new psychiatric hospital follow on page 3:

Psychiatric Hospital Debt Service Schedule			
Authorized COPS Issuance by Year	**57,207,490**	**48,961,672**	**106,169,162**
State Fiscal Year	**2005 Issuance Actual Debt Service Payments**	**2006 Issuance Est'd Debt Service Payments**	**Total Debt Service Payments**
2005	0	0	0
2006	3,782,471	0	3,782,471
2007	4,799,032	1,407,648	6,206,680
2008	4,799,586	4,182,769	8,982,355
2009	4,798,311	4,182,122	8,980,433
2010	4,799,708	4,182,561	8,982,269
2011	4,798,493	4,181,908	8,980,401
2012	4,800,543	4,182,737	8,983,280
2013	4,799,328	4,181,888	8,981,216
2014	4,799,252	4,182,860	8,982,112
2015	4,798,417	4,182,442	8,980,859
2016	4,799,556	4,182,224	8,981,780
2017	4,799,177	4,182,760	8,981,937
2018	4,800,012	4,182,695	8,982,707
2019	4,798,569	4,182,584	8,981,153
2020	4,799,101	4,182,927	8,982,028
2021	3,795,916	4,182,317	7,978,233
2022	3,644,079	4,182,182	7,826,261
2023	3,492,243	4,182,918	7,675,161
2024	3,340,406	4,182,080	7,522,486
2025	3,188,569	4,182,902	7,371,471
2026	0	4,182,832	4,182,832
2027		4,182,212	4,182,212
Total Debt Service per Issuance	**88,432,770**	**85,057,568**	**169,707,868**

SOURCES OF DATA: Office of State Treasurer

TECHNICAL CONSIDERATIONS: None

LEGISLATIVE PROPOSAL #3

INCREASE MH/DD/SA CRISIS SERVICES

LEGISLATIVE PROPOSAL #3:

A RECOMMENDATION OF THE LEGISLATIVE OVERSIGHT COMMITTEE FOR MH/DD/SAS
TO THE 2005 GENERAL ASSEMBLY, 2006 SESSION

AN ACT TO APPROPRIATE FUNDS FOR START-UP CRISIS SERVICES, TO HIRE A CONSULTANT TO ASSIST AREA AUTHORITIES DEVELOP AND IMPLEMENT CRISIS SERVICES, TO INCREASE FUNDING TO PAY FOR CRISIS SERVICES, TO ENSURE ACCESS TO CORE PSYCHIATRIC SERVICES, AND TO EXTEND THE SUNSET ON THE FIRST COMMITMENT PILOT PROGRAM.

SHORT TITLE: **Increase MH/DD/SA Crisis Services.**

BRIEF OVERVIEW: This bill would:

1. Appropriate $10,500,000 (non-recurring) to be used by LMEs to establish a continuum of crisis facilities regionally and crisis services locally. It would also appropriate $425,000 (non-recurring) for the General Assembly to hire a consultant to assist LMEs with developing and implementing start-up crisis services.
2. Appropriate $9,000,000 (recurring) to create a fund to be used by LMEs to pay for non-Medicaid reimbursable crisis (core) services.
3. Appropriate $9,000,000 (recurring) for LMEs to ensure access to core psychiatrist services.
4. Extend the sunset for the First Commitment Pilot Program from July 1, 2006 to October 1, 2007.

EFFECTIVE DATE: This bill would become effective July 1, 2006.

A copy of the proposed legislation begins on the next page

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

U D

BILL DRAFT 2005-RCz-24 [v.6] (04/27)

(THIS IS A DRAFT AND IS NOT READY FOR INTRODUCTION)
5/9/2006 11:55:42 AM

Short Title: Increase MH/DD/SA Crisis Services. (Public)

Sponsors: .

Referred to:

A BILL TO BE ENTITLED

AN ACT TO APPROPRIATE FUNDS FOR START-UP CRISIS SERVICES, TO HIRE A CONSULTANT TO ASSIST AREA AUTHORITIES AND COUNTY PROGRAMS DEVELOP AND IMPLEMENT A PLAN TO CREATE A CONTINUUM OF CRISIS SERVICES, TO PAY FOR CRISIS SERVICES FOR NON-MEDICAID ELIGIBLE INDIGENT INDIVIDUALS, TO ENSURE ACCESS TO CORE PSYCHIATRIC SERVICES, AND TO EXTEND THE SUNSET FOR THE FIRST COMMITMENT PILOT PROGRAM AS RECOMMENDED BY THE JOINT LEGISLATIVE OVERSIGHT COMMITTEE ON MENTAL HEALTH, DEVELOPMENTAL DISABILITIES AND SUBSTANCE ABUSE SERVICES.

The General Assembly of North Carolina enacts:

SECTION 1.(a). There is appropriated from the General Fund to the Department of Health and Human Services the sum of ten million five hundred thousand dollars ($10,500,000) for the 2006-2007 fiscal year. The funds shall be used by area authorities and county programs to establish a continuum of regional crisis facilities and local crisis services for persons with mental illness, developmental disabilities, and substance abuse addictions.

The area authorities and county programs will organize themselves into no more than twenty-one (21) crisis regions based upon the existing Geriatric Specialty team configurations or other approved regions. The funds shall be allocated to each area authority or county programs on a per capita basis. The funds may be used for operational start-up, capital, or subsidies related to developing a continuum of crisis services. No more than three percent (3%) may be spent for administrative costs. The area authorities and county programs within a crisis region shall work together to identify gaps in their ability to provide a continuum of crisis services for all consumers and use the funds appropriated to them to develop and implement a plan to address those needs. At a minimum, the plan must address the development over time of the

following components: 24-hour crisis telephone lines, walk-in crisis services, mobile crisis outreach, crisis respite/residential services, crisis stabilization units, 23-hour beds, facility-based crisis, in-patient crisis and transportation. Options for voluntary admissions to a secured facility must include at least one service appropriate to address the mental health, development disability, and substance abuse needs of adults and the mental health, development disability, and substance abuse needs of children. Options for involuntary commitment to a secured facility must include at least one option in addition to admission to a State facility.

If all area authorities and county programs in a crisis region determine that a facility-based crisis center is needed and sustainable on a long term basis, the crisis region shall attempt to secure those services through a community hospital or other community facility first. If all the area authorities and county programs in the crisis region determine the region's crisis needs are being met, the area authorities and county programs may use the funds to meet local crisis service needs.

Each area authority and county program and each crisis region will be required to utilize the technical assistance of a consultant under contract with the General Assembly to develop and implement its crisis services plan. The consultant shall assist area authorities and county programs and crisis regions to identify local and regional gaps in crisis services, identify options for providing services, implement new services, and maintain transparency and accountability for the use of funds. The crisis region or area authorities and county programs shall submit their crisis services plan to the consultant and to the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (Division) for review and public comment. The crisis regions and area authorities and county programs shall consider the comments prior to submitting a final plan for implementation. Upon submission of a final plan to DHHS, each crisis region, area authority and county program will receive implementation funds. Funds not expended during the 2006-2007 fiscal year shall not revert.

Area authorities and county programs and crisis regions must report monthly to the consultant and to the Division regarding the use of the funds, whether there has been a reduction in the use of State psychiatric hospitals for acute admissions, and remaining gaps in local and regional crisis services. The consultant shall report regularly to the General Assembly, the Fiscal Research Division, and the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities and Substance Abuse Services regarding each crisis region's and area authorities' and county programs' proposed and actual use of the funds.

SECTION 1.(b). There is appropriated from the General Fund to the Department of Health and Human Services the sum of nine million dollars ($9,000,000) for the 2006-2007 fiscal year. These funds shall be allocated to area authorities and county programs on a per capita basis. Area authorities and county programs may bill this fund to pay for mental health, developmental disabilities or substance abuse crisis services provided to non-Medicaid eligible adults and children who are indigent and have no other third-party payment source. Nothing in this section shall prohibit an area authority or county program from using other funds to provide crisis services, nor shall

it limit an area authority or county program's obligation under G.S. 122C-2(2) to provide emergency services.

SECTION 1.(c). There is appropriated from the General Fund to the Department of Health and Human Services the sum of nine million dollars ($9,000,000) for the 2006-2007 fiscal year. These funds shall be allocated to area authorities and county programs on a per capita basis. Area authorities and county programs may use these funds to maintain public access to community psychiatric services. The funds may be used on a unit cost reimbursement or non-unit cost reimbursement basis.

SECTION 2. S.L. 2003-178 reads as rewritten.

"**SECTION 1.** The Secretary of Health and Human Services may, upon request of a phase-one local management entity, waive temporarily the requirements of G.S. 122C-261 through G.S. 122C-263 and G.S. 122C-281 through G.S. 122C-283 pertaining to initial (first-level) examinations by a physician or eligible psychologist of individuals meeting the criteria of G.S. 122C-261(a) or G.S. 122C-281(a), as applicable, as follows:

(1) The Secretary has received a request from a phase-one local management entity to substitute for a physician or eligible psychologist, a licensed clinical social worker, a masters level psychiatric nurse, or a masters level certified clinical addictions specialist to conduct the initial (first-level) examinations of individuals meeting the criteria of G.S. 122C-261(a) or G.S. 122C-281(a). The waiver shall be implemented on a pilot-program basis. The request from the local management entity shall be submitted as part of the entity's local business plan and shall specifically describe:

a. How the purpose of the statutory requirement would be better served by waiving the requirement and substituting the proposed change under the waiver.

b. How the waiver will enable the local management entity to improve the delivery or management of mental health, developmental disabilities, and substance abuse services.

c. How the services to be provided by the licensed clinical social worker, the masters level psychiatric nurse, or the masters level certified clinical addictions specialist under the waiver are within each of these professional's scope of practice.

d. How the health, safety, and welfare of individuals will continue to be at least as well protected under the waiver as under the statutory requirement.

(2) The Secretary shall review the request and may approve it upon finding that:

a. The request meets the requirements of this section.

b. The request furthers the purposes of State policy under G.S. 122C-2 and mental health, developmental disabilities, and substance abuse services reform.

c. The request improves the delivery of mental health, developmental disabilities, and substance abuse services in the counties affected by the waiver and also protects the health, safety, and welfare of individuals receiving these services.

d. The duties and responsibilities performed by the licensed clinical social worker, the masters level psychiatric nurse, or the masters level certified clinical addictions specialist are within the individual's scope of practice.

(3) The Secretary shall evaluate the effectiveness, quality, and efficiency of mental health, developmental disabilities, and substance abuse services and protection of health, safety, and welfare under the waiver. The Secretary shall send a report on the evaluation to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substances Abuse Services on or before July 1, 2006.

(4) The waiver granted by the Secretary under this section shall be in effect ~~for a period not to exceed three years, or the period for which the requesting local management entity's business plan is approved, whichever is shorter.~~until October 1, 2007.

(5) The Secretary may grant a waiver under this section to up to five local management entities that have been designated as phase-one entities as of July 1, 2003.

(6) In no event shall the substitution of a licensed clinical social worker, masters level psychiatric nurse, or masters level certified clinical addictions specialist under a waiver granted under this section be construed as authorization to expand the scope of practice of the licensed clinical social worker, the masters level psychiatric nurse, or the masters level certified clinical addictions specialist.

(7) The Department shall assure that staff performing the duties are trained and privileged to perform the functions identified in the waiver. The Department shall involve stakeholders including, but not limited to, the North Carolina Psychiatric Association, The North Carolina Nurses Association, National Association of Social Workers, The North Carolina Substance Abuse Professional Certification Board, North Carolina Psychological Association, The North Carolina Society for Clinical Social Work, and the North Carolina Medical Society in developing required staff competencies.

(8) The local management entity shall assure that a physician is available at all times to provide backup support to include telephone consultation and face-to-face evaluation, if necessary.

SECTION 2. This act becomes effective July 1, 2003, and expires ~~July 1, 2006.~~October 1, 2007."

SECTION 3. This act becomes effective July 1, 2006. The Fiscal Research Division shall track the allocation and utilization of the funds appropriated under this Act.

LEGISLATIVE PROPOSAL #4

STRENGTHEN STATE MH/DD/SA REFORM

LEGISLATIVE PROPOSAL #4:

A RECOMMENDATION OF THE LEGISLATIVE OVERSIGHT COMMITTEE FOR MH/DD/SAS
TO THE 2005 GENERAL ASSEMBLY, 2006 SESSION

AN ACT TO STRENGTHEN STATE LEADERSHIP FOR SYSTEM REFORM OF MH/DD/SA SERVICES AND TO APPROPRIATE FUNDS.

SHORT TITLE: **Strengthen State MH/DD/SA Reform**

BRIEF OVERVIEW: This bill would:

1. Direct DHHS to consolidate recent State Plans to produce a single document that meets the requirements of G.S 122C-102 and contains a cumulative statement of all still-applicable provisions of those plans, identify those directives contained in the Plan and other communications by the Division that must be adopted as an administrative rule in order to be enforceable, and to undertake to adopt those rules.
2. Clarify that the State Plan is a strategic document intended to provide a course of State and local action for a 3-year period of time, that contains specific goals for system reform, designates benchmarks for reaching those goals and identifies data that can be utilized to measure progress towards those goals, and is coordinated with the implementation of crisis services by LMEs.
3. Clarify that the Secretary and the Division of MH/DD/SAS have a duty to provide more technical assistance to LMEs.
4. Appropriate $1,700,000 to DHHS (non-recurring) to hire one or more consultants to:
    a. Assist with strategic planning.
    b. Increase the capacity of DHHS to implement system reform.
    c. Assist the Division to work with LMEs to:
        1. Develop and implement 5-10 critical performance indicators to be used to hold LMEs accountable for managing the MH/DD/SA system.
        2. Standardize the utilization management functions for non-Medicaid services.
        3. Develop LME expertise to undertake utilization management for Medicaid services beginning July 1, 2007, but no later than July 1, 2009.
        4. Develop standardized LME operating procedures.

5. Implement other LME management functions.

d. Provide technical assistance and oversight to providers and LMEs to ensure that best practices and new services are being delivered with fidelity to the model.

5. Appropriate $300,000 to the DHHS to create three full-time positions for the creation of a Local Management Strategic Assistance Team to assist LMEs develop, implement and maintain their statutory responsibilities.

EFFECTIVE DATE: The bill would become effective July 1, 2006.

A copy of the proposed legislation begins on the next page

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

U D

BILL DRAFT 2005-RCz-25 [v.7] (04/27)

(THIS IS A DRAFT AND IS NOT READY FOR INTRODUCTION)
5/11/2006 10:39:15 AM

Short Title: Strengthen State MH/DD/SA Reform. (Public)

Sponsors: .

Referred to:

A BILL TO BE ENTITLED

AN ACT TO STRENGTHEN STATE LEADERSHIP FOR SYSTEM REFORM OF MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE SERVICES AND TO APPROPRIATE FUNDS AS RECOMMENDED BY THE JOINT LEGISLATIVE OVERSIGHT COMMITTEE ON MENTAL HEALTH, DEVELOPMENTAL DISABILITIES AND SUBSTANCE ABUSE SERVICES.

The General Assembly of North Carolina enacts:

SECTION 1.(a). G.S. 122C-102 reads as rewritten:

"**§ 122C-102. State Plan for Mental Health, Developmental Disabilities, and Substance Abuse ~~Services.~~Services; system performance measures.**

(a) Purpose of State Plan. – The Department shall develop and implement a State Plan for Mental Health, Developmental Disabilities, and Substance Abuse Services. The purpose of the State Plan is to provide a strategic template regarding how State and local resources shall be organized and used to provide services. The State Plan shall be issued every three-years beginning July 1, 2007. It shall identify specific goals to be achieved by the Department, area authorities and county programs over a three year period of time and benchmarks for determining whether progress is being made towards those goals. It shall also identify data that will be used to measure progress towards the specified goals. In order to increase the ability of the State, area authorities, county programs, private providers and consumers to successfully implement the goals of the State Plan, the Department shall not adopt or implement policies that are inconsistent with the State Plan without first consulting with the Joint Legislative Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services.

(b) Content of State Plan. – The State Plan shall include the following:

(1) Vision and mission of the State Mental Health, Developmental Disabilities, and Substance Abuse Services system.

~~(2) Organizational structure of the Department and the divisions of the Department responsible for managing and monitoring mental health, developmental disabilities, and substance abuse services.~~

(3) Protection of client rights and consumer involvement in planning and management of system services.

(4) Provision of services to targeted populations, including criteria for identifying targeted populations.

(5) Compliance with federal mandates in establishing service priorities in mental health, developmental disabilities, and substance abuse.

(6) Description of the core services that are available to all individuals in order to improve consumer access to mental health, developmental disabilities, and substance abuse services at the local level.

(7) Service standards for the mental health, developmental disabilities, and substance abuse services system.

(8) Implementation of the uniform portal process.

(9) Strategies and schedules for implementing the service plan, including consultation on Medicaid policy with area and county programs, qualified providers, and others as designated by the Secretary, intersystem collaboration, promotion of best practices, technical assistance, outcome-based monitoring, and evaluation.

(10) A plan for coordination of the State Plan for Mental Health, Developmental Disabilities, and Substance Abuse Services with the Medicaid State Plan, and NC Health Choice.

(11) A business plan to demonstrate efficient and effective resource management of the mental health, developmental disabilities, and substance abuse services system, including strategies for accountability for non-Medicaid and Medicaid services.

(12) Strategies and schedules for implementing a phased in plan to eliminate disparities in the allocation of State funding across county programs and area authorities by January 1, 2007, including methods to identify service gaps and to ensure equitable use of State funds to fill those gaps among all counties.

(c) State performance measures. – The State Plan shall also include a mechanism for measuring the State's progress towards increased performance on the following matters: access to services, consumer-focused outcomes, individualized planning and supports, promotion of best practices, quality management systems, system efficiency and effectiveness, and prevention and early intervention. Beginning October 1, 2006, and every six months thereafter, the Secretary shall report to the General Assembly and the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities and Substance Abuse Services on the State's progress in these performance areas."

SECTION 1.(b). The North Carolina Department of Health and Human Services (DHHS) shall review all State Plans for Mental Health, Developmental Disabilities, and Substance Abuse Services implemented after July 1, 2001 and before

the effective date of this act and produce a single document that contains a cumulative statement of all still applicable provisions of those Plans. This cumulative document shall constitute the State Plan until July 1, 2007.

DHHS and the Secretary shall also identify those provisions in G.S. 122C-112.1, prior State Plans, and directives or communications by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services that must be adopted as administrative rules in order to be enforceable and undertake to adopt those rules.

SECTION 2. G.S. 122C-112.1(a)(9) reads as rewritten:

"**§ 122C-112.1. Powers and duties of the Secretary.**

(a) The Secretary shall do all of the following:

. . .

(9) ~~Assist~~ Provide ongoing and focused technical assistance to area authorities and county programs in the implementation of their administrative and management functions and the establishment and operation of community-based programs. The Secretary shall include in the State Plan a mechanism for monitoring the Department's success in implementing this duty and the progress of area authorities and county programs in achieving these functions."

SECTION 3. There is appropriated from the General Fund to the Department of Health and Human Services (DHHS) the sum of one million seven hundred thousand dollars ($1,7000,000) for the 2006-2007 fiscal year to be used to hire one or more independent consultants to undertake the following tasks:

a. Assist DHHS with the strategic planning necessary to develop the revised State Plan as required under G.S. 122C-102. The State Plan shall be coordinated with local and regional crisis service plans by area authorities and county programs.

b. Study and make recommendations to increase the capacity of DHHS to implement system reform successfully and in a manner that maintains strong management functions by area authorities and county programs at the local level.

c. Assist the Division of Mental Health, Developmental Disabilities , and Substance Abuse Services to work with area authorities and county programs to:

1. Develop and implement five to ten critical performance indicators to be used to hold area authorities and county programs accountable for managing the mental health, developmental disabilities, and substance abuse services system. The performance system indicators shall be implemented no later than six months after the consultant's contract is awarded and in no event later than July 1, 2007.

2. Standardize the utilization management functions for Medicaid and non-Medicaid services and for the review and approval of person-centered plans.

3. Develop area authorities' and county programs' expertise to assume utilization management for Medicaid services. The goal shall be to have a portion of the area authorities and county programs assume that function beginning July 1, 2007 and the remainder to assume the function no later than July 1, 2009.

4. Develop a standardized operating procedure for area authorities and county programs.

5. Implement other uniform procedures for the management functions of area authorities and county programs.

d. Provide technical assistance and oversight to private service providers, area authorities, and county programs to ensure that best practices and new services are being delivered with fidelity to the service definition model.

SECTION 4. There is appropriated from the General Fund to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, the sum of three hundred thousand dollars ($300,000) for the 2006-2007 fiscal year to be used for three full time positions to create a Local Management Entity Strategic Assistance Team (Team). The Team shall assist local management entities develop, implement, and maintain their statutory responsibilities.

SECTION 5. This act becomes effective July 1, 2006.

LEGISLATIVE PROPOSAL #5

STRENGTHEN LOCAL MANAGEMENT ENTITIES (LMEs)

LEGISLATIVE PROPOSAL #5:

A RECOMMENDATION OF THE LEGISLATIVE OVERSIGHT COMMITTEE FOR MH/DD/SAS
TO THE 2005 GENERAL ASSEMBLY, 2006 SESSION

AN ACT TO CLARIFY AND STRENGTHEN THE ROLE OF LOCAL MANAGEMENT ENTITIES.

SHORT TITLE: **Strengthen Local Management Entities (LMEs).**

BRIEF OVERVIEW This bill would:

1. Amend Article 4 of Chapter 122C to clearly articulate the administrative and managerial functions that are the responsibility of an LME and clarify that LME functions may not be removed by the Secretary absent an individualized finding that a particular program is not providing minimally adequate services or is in imminent danger of failing financially.
2. Direct the Division to recalculate the LME systems management allocations for SFY 2006-2007 to include funds for each LME to implement 24/7/365 screening, triage and referral and the review and approval of all person-centered plans.
3 Direct the Department to retain all funds withdrawn from the LME cost model allocations that are not accounted for in subsection 5.2 of this section and transfer the funds to LMEs to use for services.
4. Amend Article 4 of Chapter 122C to comply with the current Division practice to require that by July 1, 2007, all LMEs must have catchment areas that include at least 6 counties or a population of at least 200,000. LMEs that do not comply with this requirement will lose 10% of their administrative funding each year until mergers have been accomplished. Administrative savings realized under this provision shall be reallocated to those LMEs for services.
5. Direct the Office of State Personnel to study the job functions of area directors and finance officers and implement job classifications by December 1, 2006, that reflect the necessary skills for those positions. These new requirements would apply to persons hired on or after January 1, 2007.

6. Standardize area board membership to 3-year terms and prohibit individuals from serving more than 2 consecutive terms. Amend LME board member requirements to increase participation by individuals with business and financial backgrounds and to create more flexibility as to the appointment of consumer members.
7. Amend Chapters 122C and 160A to require that the quarterly financial reports filed by LMEs with their counties must be reviewed and commented on by the county finance officers.
8. Amend a number of statutes to clarify that counties may create provide services to an LME under their general powers.

EFFECTIVE DATE: The merger requirements for LMEs would become effective July 1, 2007. The job classifications for LME director and finance officer would become effective January 1, 2007 and apply to persons hired on or after that date. The remainder of the bill would become effective July 1, 2006.

A copy of the proposed legislation begins on the next page

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

U D

BILL DRAFT 2005-RCz-18 [v.12] (03/09)

(THIS IS A DRAFT AND IS NOT READY FOR INTRODUCTION)
5/12/2006 9:19:49 AM

Short Title: Strengthen Local Management Entities (LMEs). (Public)

Sponsors: .

Referred to:

A BILL TO BE ENTITLED

AN ACT TO CLARIFY AND STRENGTHEN THE ROLE OF LOCAL MANAGEMENT ENTITIES AS RECOMMENDED BY THE JOINT LEGISLATIVE OVERSIGHT COMMITTEE ON MENTAL HEALTH, DEVELOPMENTAL DISABILITIES AND SUBSTANCE ABUSE SERVICES.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 122C-3 is amended by adding a new subdivision to read:

"**§ 122C-3. Definitions.**

~~As used in this Chapter, unless another meaning is specified or the context clearly requires otherwise, the following terms have the meanings specified:~~The following definitions apply in this Chapter:

. . .

(20b) "Local management entity" or "LME" means an area authority, county program or consolidated human services agency. An LME is not a unit of local government and the term refers to functional responsibilities rather than governance structure."

SECTION 2. G.S. 122C-111 reads as rewritten:

"**§ 122C-111. Administration.**

The Secretary shall administer and enforce the provisions of this Chapter and the rules of the Commission and shall operate State facilities. An area director or program director shall (i) manage the public mental health, developmental disabilities and substance abuse system for ~~administer the programs of~~ the area authority or county ~~program, as applicable,~~ program according to the local business plan, and (ii) enforce applicable State laws, rules of the Commission, and rules of the Secretary. The Secretary in cooperation with area and county program directors and State facility directors shall provide for the coordination of public services between area authorities,

county programs, and State facilities. The area authority or county program shall monitor the provision of mental health, developmental disability, and substance abuse services for compliance with the law, which monitoring shall not supercede or duplicate the regulatory authority or functions of agencies of the Department."

SECTION 3. G.S. 122C-115.2(a) reads as rewritten:

"**§ 122C-115.2.** ~~Business~~ LME business plan required; content, process, certification.

(a) Every county, through an area authority or county program, shall provide for the development, review, and approval of ~~a~~ an LME business plan for the management and delivery of mental health, developmental disabilities, and substance abuse services. ~~A~~ An LME business plan shall provide detailed information on how the area authority or county program will meet State standards, laws, and rules for ensuring quality mental health, developmental disabilities, and substance abuse services, including outcome measures for evaluating program effectiveness. The business plan shall be in effect for at least three State fiscal years."

SECTION 4. Article 4 of Chapter 122C is amended by adding a new section to read:

"**§ 122C-115.4. Responsibilities of local management entities.**

(a) Local management entities are responsible for the administration and management of the public system of mental health, developmental disabilities, and substance abuse services at the community level. An LME plans, develops, implements and monitors services within a specified geographic area for both insured and uninsured individuals.

(b) The core functions of an LME include all of the following:

(1) Access for all citizens to core services through the implementation of a 24-hour a day, seven-day a week screening, triage, and referral process and a uniform portal of entry into care.

(2) Provider endorsement, monitoring, technical assistance, and capacity development. An LME may remove as a choice a provider who fails to meet defined quality criteria or fails to provide data required for monitoring client outcomes.

(3) Utilization review and determination of the appropriate level and intensity of services for all State-funded services, authorization of recipients of services under a Medicaid waiver, review and approval of all person-centered plans, utilization management for all services, care coordination, quality management, and authorization of State psychiatric hospital and other State facility bed days.

(4) Community collaboration and consumer affairs including assurance of rights, appeals, establishment and support for an effective consumer and family advisory committee.

(5) Financial management and accountability including information management for the delivery of publicly funded services for mental illness, developmental disabilities, and substance abuse.

(c) An area authority, county program may contract with any public or private entity for the implementation of some or all of the LME responsibilities articulated under this section. A consolidated human services agency may contract with any public

or private entity for the implementation of some or all of the LME responsibilities subject to the requirements of G.S. 122C-127. The Secretary may not remove any responsibility enumerated under subsection (b) of this section absent an individualized finding that a particular area authority or county program is not providing minimally adequate services under G.S. 122C-124.1 or is in imminent danger of failing financially under G.S. 122C-125. The notice and procedural requirements of G.S. 122C-124.1 and 122C-125 shall apply to the findings."

SECTION 5. Effective July 1, 2009. G.S. 122C-115.4(b) as enacted in Section 4 of this act reads as rewritten:

"(b) The core functions of an LME include all of the following:

(1) Access for all citizens to core services through the implementation of a 24-hour a day, seven-days a week screening, triage, and referral process and a uniform portal of entry into care.

(2) Provider endorsement, monitoring, technical assistance, and capacity development. An LME may remove as a choice a provider who fails to meet defined quality criteria or fails to provide data required for monitoring client outcomes.

(3) Utilization review and determination of the appropriate level and intensity of services for all ~~state-funded~~ services, authorization of recipients of services under a Medicaid waiver, review and approval of all person-centered plans, utilization management for all services, care coordination, quality management, and authorization of State psychiatric hospital and other State facility bed days.

(4) Community collaboration and consumer affairs including assurance of rights, appeals, establishment and support for an effective consumer and family advisory committee.

(5) Financial management and accountability including information management for the delivery of publicly funded services for mental illness, developmental disabilities, and substance abuse."

SECTION 6. G.S. 122C-118.1 reads as rewritten:

"**§ 122C-118.1. Structure of area board.**

(a) An area board shall have no fewer than 11 and no more than 25 members. In a single-county area authority, the members shall be appointed by the board of county commissioners. Except as otherwise provided, in areas consisting of more than one county, each board of county commissioners within the area shall appoint one commissioner as a member of the area board. These members shall appoint the other members. The boards of county commissioners within the multicounty area shall have the option to appoint the members of the area board in a manner other than as required under this section by adopting a resolution to that effect. The boards of county commissioners in a multicounty area authority shall indicate in the business plan each board's method of appointment of the area board members in accordance with G.S. 122C-115.2(b). These appointments shall take into account sufficient citizen participation~~, equitable~~ representation of the disability groups, and equitable representation of participating counties. Individuals appointed to the board shall include

an individual with financial ~~expertise or~~ expertise, a county finance officer, an individual with expertise in management or business, and an individual representing the interests of children. A member of the board may be removed with or without cause by the initial appointing authority. Vacancies on the board shall be filled by the initial appointing authority before the end of the term of the vacated seat or within 90 days of the vacancy, whichever occurs first, and the appointments shall be for the remainder of the unexpired term.

(b) ~~At least~~ Not more than fifty percent (50%) of the members of the area board shall represent the following:

(1) A physician licensed under Chapter 90 of the General Statutes to practice medicine in North Carolina who, when possible, is certified as having completed a residency in psychiatry.

(2) A clinical professional from the fields of mental health, developmental disabilities, or substance abuse.

(3) ~~A~~ At least one family member or ~~an~~ individual from a citizens' ~~organizations~~ organization composed primarily of consumers or their family members, representing the interests of individuals:

a. With mental illness; ~~and~~

b. In recovery from addiction; ~~and~~ or

c. With developmental disabilities.

(4) ~~Openly~~ At least one openly declared ~~consumers:~~consumer:

a. With mental illness; ~~and~~

b. With developmental ~~disabilities; and~~ disabilities; or

c. In recovery from addiction.

(c) The board of county commissioners may elect to appoint a member of the area authority board to fill concurrently more than one category of membership if the member has the qualifications or attributes of more than one category of membership.

(d) Any member of an area board who is a county commissioner serves on the board in an ex officio capacity. The terms of county commissioners on an area board are concurrent with their terms as county commissioners. The terms of the other members on the area board shall be for ~~four~~ three years, except that upon the initial formation of an area board ~~one-fourth~~ one-third shall be appointed for one year, ~~one-fourth~~ one-third for two years, ~~one-fourth for three years,~~ and all remaining members for ~~four~~ three years. Members ~~other than county commissioners~~ shall not be appointed for more than two consecutive terms. Board members serving as of July 1, 2006 may remain on the board for one additional term.

(e) Upon request, the board shall provide information pertaining to the membership of the board that is a public record under Chapter 132 of the General Statutes."

SECTION 7. G.S. 122C-115.1(g) reads as rewritten:

"(g) In a single-county program, an advisory committee shall be appointed by the board of county commissioners and shall report to the county manager. The appointments shall take into account sufficient citizen participation, equitable representation of the disability groups, and equitable representation of participating

counties. ~~At least fifty percent (50%) of the~~ The membership shall conform to the requirements in ~~G.S. 122C-118.1(b)(1)-(4).~~ G.S. 122C-118.1. In a multicounty program, the advisory committee shall be appointed in accordance with the terms of the interlocal agreement."

SECTION 8. G.S. 122C-115.1(a) reads as rewritten:

"**§ 122C-115.1. County governance and operation of mental health, developmental disabilities, and substance abuse services program.**

(a) A county may operate a county program for mental health, developmental disabilities, and substance abuse services as a single county or, pursuant to Article 20 of Chapter 160A of the General Statutes, may enter into an interlocal agreement with one or more other counties for the operation of a multicounty program. An interlocal agreement shall provide for the following:

(1) Adoption and administration of the program budget in accordance with Chapter 159 of the General Statutes.

(2) Appointment of a program director to carry out the provisions of G.S. 122C-111 and duties and responsibilities delegated by the county. Except when specifically waived by the Secretary, the program director shall meet the following minimum qualifications:

a. Masters degree,

b. Related experience, and

c. Management experience.

(3) A targeted minimum population of 200,000 or a targeted minimum number of five counties served by the program.

(4) Compliance with the provisions of this Chapter and the rules of the Commission and the Secretary.

(5) Written notification to the Secretary prior to the termination of the interlocal agreement.

(6) Appointment of an advisory committee. The interlocal agreement shall designate a county manager to whom the advisory committee shall report. The interlocal agreement shall also designate the appointing authorities. The appointing authorities shall make appointments that take into account sufficient citizen participation, equitable representation of the disability groups, and equitable representation of participating counties. At least fifty percent (50%) of the membership shall conform to the requirements provided in ~~G.S. 122C-118.1(b)(1)-(4).~~G.S. 122C-188.1."

SECTION 9. Effective January 1, 2007, G.S. 122C-115.1(a), as amended by Section 8 of this act reads as rewritten:

"**§ 122C-115.1. County governance and operation of mental health, developmental disabilities, and substance abuse services program.**

(a) A county may operate a county program for mental health, developmental disabilities, and substance abuse services as a single county or, pursuant to Article 20 of Chapter 160A of the General Statutes, may enter into an interlocal agreement with one

or more other counties for the operation of a multicounty program. An interlocal agreement shall provide for the following:

(1) Adoption and administration of the program budget in accordance with Chapter 159 of the General Statutes.

(2) Appointment of a program director to carry out the provisions of G.S. 122C-111 and duties and responsibilities delegated by the county. Except when specifically waived by the Secretary, the program director shall meet all the following minimum qualifications:

a. Masters ~~degree,~~degree.

b. Related ~~experience, and~~ related experience.

c. Management experience.

d. Any other qualifications required under the job classification adopted by the State Personnel Commission.

(3) A targeted minimum population of 200,000 or a targeted minimum number of five counties served by the program.

(4) Compliance with the provisions of this Chapter and the rules of the Commission and the Secretary.

(5) Written notification to the Secretary prior to the termination of the interlocal agreement.

(6) Appointment of an advisory committee. The interlocal agreement shall designate a county manager to whom the advisory committee shall report. The interlocal agreement shall also designate the appointing authorities. The appointing authorities shall make appointments that take into account sufficient citizen participation, equitable representation of the disability groups, and equitable representation of participating counties. The membership shall conform to the requirements provided in G.S. 122C-118.1."

SECTION 10. Effective January 1, 2007, G.S. 122C-115.1(f) reads as rewritten:

"(f) In a single-county program, the program director shall be appointed by the county manager. In a multicounty program, the program director shall be appointed in accordance with the terms of the interlocal agreement.

Except when specifically waived by the Secretary, the program director in a single county program shall meet all the following minimum qualifications:

(1) Masters degree.

(2) Related experience.

(3) Management experience.

(4) Any other qualifications required under the job classification adopted by the State Personnel Commission."

SECTION 11. Effective January 1, 2007, G.S. 122C-121(d) reads as rewritten:

"(d) Except when specifically waived by the Secretary, the area director shall meet all the following minimum qualifications:

(1) Masters ~~degree;~~degree.

(2) Related ~~experience; and~~ experience.
(3) Management experience.
(4) Any other qualifications required under the job classification adopted by the State Personnel Commission."

SECTION 12. Effective July 1, 2007, G.S. 122C-115(a) reads as rewritten:

"**§ 122C-115. Duties of counties; appropriation and allocation of funds by counties and cities.**

(a) A county shall provide mental health, developmental disabilities, and substance abuse services through an area authority or through a county program established pursuant to G.S. 122C-115.1. The catchment area of an area authority or a county program shall contain either a minimum population of at least 200,000 or a minimum of six counties. To the extent this section conflicts with G.S. 153A-77(a), the provisions of G.S. 153A-77(a) control."

SECTION 13. Effective July 1, 2007,, G.S. 122C-115.1(a), as amended by Sections 8 and 9 of this act reads as rewritten:

"**§ 122C-115.1. County governance and operation of mental health, developmental disabilities, and substance abuse services program.**

(a) A county may operate a county program for mental health, developmental disabilities, and substance abuse services as a single county or, pursuant to Article 20 of Chapter 160A of the General Statutes, may enter into an interlocal agreement with one or more other counties for the operation of a multicounty program. An interlocal agreement shall provide for the following:

(1) Adoption and administration of the program budget in accordance with Chapter 159 of the General Statutes.
(2) Appointment of a program director to carry out the provisions of G.S. 122C-111 and duties and responsibilities delegated by the county. Except when specifically waived by the Secretary, the program director shall meet all the following minimum qualifications:
  a. Masters degree.
  b. Related related experience.
  c. Management experience.
  d. Any other qualifications required under the job classification adopted by the State Personnel Commission.
~~(3) A targeted minimum population of 200,000 or a targeted minimum number of five counties served by the program.~~
(4) Compliance with the provisions of this Chapter and the rules of the Commission and the Secretary.
(5) Written notification to the Secretary prior to the termination of the interlocal agreement.
(6) Appointment of an advisory committee. The interlocal agreement shall designate a county manager to whom the advisory committee shall report. The interlocal agreement shall also designate the appointing authorities. The appointing authorities shall make appointments that take into account sufficient citizen participation, equitable

representation of the disability groups, and equitable representation of participating counties. The membership shall conform to the requirements provided in G.S. 122C-118.1."

SECTION 14. G.S. 122C-117(c) reads as rewritten:

"(c) Within 30 days of the end of each quarter of the fiscal year, the area director and finance officer of the area authority shall provide to the finance officer of the county, or in the case of a multicounty area authority the finance officers of each county, the quarterly report of the area authority. The report shall include a budgetary statement and balance sheet that details the assets, liabilities, and fund balance of the area authority. The county finance officer shall review the report and may make comments regarding the finances of the area authority before the report is provided to each member of the board of county commissioners ~~the quarterly report~~ of the area authority. This information shall be presented in a format prescribed by the county. At least twice a year, this information shall be presented in person and shall be read into the minutes of the meeting at which it is presented. In addition, the area director or finance officer of the area authority shall provide to the board of county commissioners ad hoc reports as requested by the board of county commissioners."

SECTION 15. G.S. 122C-115.1(e) reads as rewritten:

"(e) Within 30 days of the end of each quarter of the fiscal year, the program director and finance officer of the county program shall present to the finance officer of the county, or in the case of a multicounty program the finance officers of each county, the quarterly report of the county program. The report shall include a budgetary statement and balance sheet that details the assets, liabilities, and fund balance of the county program. The county finance officer shall review the report and may make comments regarding the finances of the program before the report is provided to each member of the board of county commissioners ~~a budgetary statement and balance sheet that details the assets, liabilities, and fund balance of the county program.~~ This information shall be read into the minutes of the meeting at which it is presented. The program director or finance officer of the county program shall provide to the board of county commissioners ad hoc reports as requested by the board of county commissioners."

SECTION 16. G.S. 153A-149(c)(22) reads as rewritten:

"(c) Each county may levy property taxes for one or more of the purposes listed in this subsection up to a combined rate of one dollar and fifty cents ($1.50) on the one hundred dollars ($100.00) appraised value of property subject to taxation. Authorized purposes subject to the rate limitation are:

. . .

(22) Mental Health. – To provide for the county's share of the cost of maintaining and administering services offered ~~by~~ by, to, or through the area mental health, developmental disabilities, and substance abuse ~~authority.~~ authority or the county program for mental health, developmental disabilities, and substance abuse services."

SECTION 17. G.S. 153A-247 reads as rewritten:

"**§ 153A-247. Provision for public health and mental health.**

A county may provide for and regulate the public health ~~pursuant to~~ under Chapter 130A of the General Statutes and any other law authorizing local public health activities and may provide mental ~~health[,] mental retardation,~~ health, developmental disabilities, and substance abuse ~~programs pursuant to Chapter 122C of the General Statutes.~~programs."

SECTION 18. G.S. 122C-115.2(b)(1) reads as rewritten:

"(b) Business plans shall include the following:

(1) Description of how the following core administrative functions will be carried out:

a. Planning. – Local services plans that identify service gaps and methods for filling the gaps, ensure the availability of an array of services based on consumer needs, provision of core services, equitable service delivery among member counties, and prescribing the efficient and effective use of all funds for targeted services. Local planning shall be an open process involving key stakeholders.

b. Provider network development. – Ensuring available, qualified providers to deliver services based on the business plan. Development of new providers and monitoring provider performance and service outcomes. Provider network development shall address consumer choice and fair competition. For the purposes of this section, a "qualified provider" means a public or private provider who meets the provider qualifications as defined by rules adopted by the Secretary.

c. Service management. – Implementation of uniform portal process. Service management shall include appropriate level and intensity of services, management of State hospitals/facilities bed days, utilization management, case management, and quality management. If services are provided directly by the area authority or county program, then the plan shall indicate how consumer choice and fair competition in the marketplace is ensured.

d. Financial management and accountability. – Carrying out business functions in an efficient and effective manner, cost-sharing, and managing resources dedicated to the public system.

e. Service monitoring and oversight. – Ensuring that services provided to consumers and families meet State outcome standards and ensure quality performance by providers in the network.

f. Evaluation. – Self-evaluation based on statewide outcome standards and participation in independent evaluation studies.

g. Collaboration. – Collaborating with other local service systems in ensuring access and coordination of services at the local level. Collaborating with other area authorities and county programs and the State in planning and ensuring the delivery of services.

h. Access. – Ensuring access to core and targeted services."

SECTION 19. G.S. 122C-141 is amended by adding a new subsection to read:

"(d) A county may be a qualified public provider and may, under Article 20 of Chapter 160A, enter into an interlocal agreement with one or more other counties to operate as a qualified public provider."

SECTION 20. G.S. 122C-112.1(a) reads as rewritten:

"§ 122C-112.1. Powers and duties of the Secretary.

(a) The Secretary shall do all of the following:

(1) Oversee development of the State Plan for Mental Health, Developmental Disabilities, and Substance Abuse Services.

(2) Enforce the provisions of this Chapter and the rules of the Commission and the Secretary.

(3) Establish a process and criteria for the submission, review, and approval or disapproval of LME business plans submitted by area authorities and counties for the management and provision of mental health, developmental disabilities, and substance abuse services.

(4) Adopt rules specifying the content and format of LME business plans.

(5) Review business plans and, upon approval of the LME business plan, certify the submitting area authority or county program to provide mental health, developmental disabilities, and substance abuse ~~services.~~ in the applicable catchment area.

(6) Establish comprehensive, cohesive oversight and monitoring procedures and processes to ensure continuous compliance by area authorities, county programs, and all providers of public services with State and federal policy, law, and standards. Procedures shall include performance measures and report cards for each area authority and county program.

(7) Conduct regularly scheduled monitoring and oversight of area authority, county programs, and all providers of public services. Monitoring and oversight shall include compliance with the program business plan, core administrative functions, and fiscal and administrative practices and shall also address outcome measures, consumer satisfaction, client rights complaints, and adherence to best practices.

(8) Make findings and recommendations based on information and data collected pursuant to subdivision (7) of this subsection and submit these findings and recommendations to the applicable area authority board, county program director, board of county commissioners,

providers of public services, and to the Local Consumer Advocacy Office.

(9) Assist area authorities and county programs in the establishment and operation of community-based programs.

(10) Operate State facilities and adopt rules pertaining to their operation.

(11) Develop a unified system of services provided ~~in area, county, and~~ at the community level, by State facilities, and by providers enrolled or under a contract with the ~~State.~~State and an area authority or county program.

(12) Adopt rules governing the expenditure of all funds for mental health, developmental disabilities, and substance abuse programs and services.

(13) Adopt rules to implement the appeal procedure authorized by G.S. 122C-151.2.

(14) Adopt rules for the implementation of the uniform portal process.

(15) Except as provided in G.S. 122C-26(4), adopt rules establishing procedures for waiver of rules adopted by the Secretary under this Chapter.

(16) Notify the clerks of superior court of changes in the designation of State facility regions and of facilities designated under G.S. 122C-252.

(17) Promote public awareness and understanding of mental health, mental illness, developmental disabilities, and substance abuse.

(18) Administer and enforce rules that are conditions of participation for federal or State financial aid.

(19) Carry out G.S. 122C-361.

(20) Monitor the fiscal and administrative practices of area authorities and county programs to ensure that the programs are accountable to the State for the management and use of federal and State funds allocated for mental health, developmental disabilities, and substance abuse services. The Secretary shall ensure maximum accountability by area authorities and county programs for rate-setting methodologies, reimbursement procedures, billing procedures, provider contracting procedures, record keeping, documentation, and other matters pertaining to financial management and fiscal accountability. The Secretary shall further ensure that the practices are consistent with professionally accepted accounting and management principles.

(21) Provide technical assistance, including conflict resolution, to counties in the development and implementation of area authority and county program business plans and other matters, as requested by the county.

(22) Develop a methodology to be used for calculating county resources to reflect cash and in-kind contributions of the county.

(23) Adopt rules establishing program evaluation and management of mental health, developmental disabilities, and substance abuse services.

(24) Adopt rules regarding the requirements of the federal government for grants-in-aid for mental health, developmental disabilities, or substance abuse programs which may be made available to area authorities or county programs or the State. This section shall be liberally construed in order that the State and its citizens may benefit from the grants-in-aid.

(25) Adopt rules for determining minimally adequate services for purposes of G.S. 122C-124.1 and G.S. 122C-125.

(26) Establish a process for approving area authorities and county programs to provide services directly in accordance with G.S. 122C-141.

(27) Sponsor training opportunities in the fields of mental health, developmental disabilities, and substance abuse.

(28) Enforce the protection of the rights of clients served by State facilities, area authorities, county programs, and providers of public services.

(29) Adopt rules for the enforcement of the protection of the rights of clients being served by State facilities, area authorities, county programs, and providers of public services.

(30) Prior to requesting approval to close a State facility under G.S. 122C-181(b):

a. Notify the Joint Legislative Commission on Governmental Operations, the Joint Legislative Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, and members of the General Assembly who represent catchment areas affected by the closure; and

b. Present a plan for the closure to the members of the Joint Legislative Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Senate Appropriations Committee on Health and Human Services for their review, advice, and recommendations. The plan shall address specifically how patients will be cared for after closure, how support services to community-based agencies and outreach services will be continued, and the impact on remaining State facilities. In implementing the plan, the Secretary shall take into consideration the comments and recommendations of the committees to which the plan is presented under this subdivision.

(31) Ensure that the State Plan for Mental Health, Developmental Disabilities, and Substance Abuse Services is coordinated with the Medicaid State Plan and NC Health Choice."

SECTION 21. The Department of Health and Human Services shall reduce by ten percent (10%) annually the administrative funding for area authorities and county programs that do not comply with Sections 12 and 13 of this act. The funds withdrawn

for LME administrative functions shall be reallocated to the same area authority or county program to be used to provide mental health, developmental disabilities, and substance abuse services.

SECTION 22. The Office of State Personnel shall develop a job classification for director of an area authority or county program that reflects the skills required of an individual operating a local management entity. The Office of State Personnel shall also review the job classifications for area authority and county program finance officers to determine whether they reflect the skills necessary to manage the finances of a local management entity. The Commission shall adopt a job classification for director and any new or revised job classifications for finance officers no later than December 31, 2006. The requirements of the job classifications shall apply to persons hired by an area authority or county program on or after January 1, 2007.

SECTION 23. The Department of Health and Human Services (Department) shall recalculate the LME systems management allocations for state fiscal year 2006-2007 to include funds for each LME to implement 24-hour, seven-days a week screening, triage and referral and the review and approval of all person centered plans. The funds shall be used by LMEs to implement those functions.

The Department shall also review the LME responsibilities described in G.S. 122C-115.4 in Section 4 of this act and recalculate the LME systems management allocations for state fiscal year 2006-2007 to provide sufficient funds for LMEs to fully implement those functions. To the extent there remains any reduction in administrative funding between the 2005-2006 and 2006-2007 LME systems management allocations, those funds shall be reallocated to those LMEs that will experience a reduction in their administrative budgets. The LMEs shall use the funds to provide mental health, developmental disabilities, and substance abuse services.

SECTION 24. There is appropriated from the General Fund to the Department of Health and Human Services the sum of twenty thousand dollars ($20,000) for the 2006-2007 fiscal year to provide training to area authority and county program board members under G.S 122C-119.1

SECTION 25. Unless otherwise specified, this act becomes effective July 1, 2006.

LEGISLATIVE PROPOSAL #6

CONSUMER AND FAMILY ADVISORY COMMITTEES

LEGISLATIVE PROPOSAL #6:

A RECOMMENDATION OF THE REVENUE LEGISLATIVE OVERSIGHT COMMITTEE FOR MH/DD/SAS
TO THE 2005 GENERAL ASSEMBLY, 2006 SESSION

AN ACT TO CODIFY PORTIONS OF THE STATE PLAN FOR MH/DD/SAS REFORM TO CREATE CONSUMER AND FAMILY ADVISORY COUNCILS AND TO APPROPRIATE FUNDS FOR IMPLEMENT THE CONSUMER ADVOCACY PROGRAM.

SHORT TITLE: **Consumer and Advisory Committees.**

BRIEF OVERVIEW: This bill would:

1. Codify local CFACS to clarify and focus their roles and responsibilities.
2. Codify the State CFAC and allocate appointments to the Secretary of DHHS, President Pro Tempore of the Senate, the Speaker of the House of Representatives, the Council of Community Programs and the Association of County Commissioners.
3. Appropriate $1,200,000 (recurring) to implement the MH/DD/SA Consumer Advocacy Program (Article 1A of Chapter 122C) as enacted in 2001.

EFFECTIVE DATE: The bill would become effective July 1, 2006.

A copy of the proposed legislation begins on the next page

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

U D

BILL DRAFT 2005-RCz-28 [v.3] (04/27)

(THIS IS A DRAFT AND IS NOT READY FOR INTRODUCTION)
5/4/2006 2:37:39 PM

Short Title: Consumer and Family Advisory Committees. (Public)

Sponsors: .

Referred to:

A BILL TO BE ENTITLED

AN ACT TO CODIFY PORTIONS OF THE STATE PLAN FOR MENTAL HEALTH, DEVELOPMENTAL DISABILITIES AND SUBSTANCE ABUSE SERVICES TO CREATE CONSUMER AND FAMILY ADVISORY COMMITTEES, AND TO APPROPRIATE FUNDS TO IMPLEMENT THE MH/DD/SA CONSUMER ADVOCACY PROGRAM AS RECOMMENDED BY THE JOINT LEGISLATIVE OVERSIGHT COMMITTEE ON MENTAL HEALTH, DEVELOPMENTAL DISABILITIES AND SUBSTANCE ABUSE SERVICES.

The General Assembly of North Carolina enacts:

SECTION 1. Article 4 of Chapter 122C is amended by adding a new Part to read:

"Part 4A. Consumer and Family Advisory Committees.

"**§ 122C-170. Local Consumer and Family Advisory Committees.**

(a) Area authorities and county programs shall establish committees made up of consumers and family members to be known as Consumer and Family Advisory Committees (CFACS). A local CFAC shall be self-governing and self-directed organization that advises the area authority or county program in its catchment area on the planning and management of the local public mental health, developmental disabilities and substance abuse services system.

Each CFAC shall adopt bylaws to govern the selection and appointment of its members, their terms of service, the number of members, and other procedural matters. At the request of either the CFAC or the governing board of the area authority or county program, the CFAC and the governing board shall execute an agreement that identifies the roles and responsibilities of each party, channels of communication between the parties, and a process for resolving disputes between the parties.

(b) Each of the disability groups shall be equally represented on the CFAC, and the CFAC shall reflect as closely as possible the racial and ethic composition of the catchment area. The terms of members shall be three years and no member may serve more than two consecutive terms. The CFAC shall be composed exclusively of:

(1) Adult consumers of mental health, developmental disability and substance abuse services;

(2) Parents of minor children who are consumers of mental health, developmental disability and substance abuse services; and

(3) Parents of adult children who are severely developmentally disabled.

(c) The CFAC shall undertake all of the following:

(1) Review, comment on, and monitor the implementation of the local business plan.

(2) Identify service gaps and underserved populations.

(3) Make recommendations regarding the service array and monitor the development of additional services.

(4) Review and comment on the area authority or county program budget.

(5) Participate in all quality improvement measures and performance indicators.

(6) Submit to the State Consumer and Advisory Committee findings and recommendations regarding ways to improve the delivery of mental health, developmental disability and substance abuse services.

(d) The director of the area authority or county program shall provide sufficient staff to assist the CFAC in implementing its duties under subsection (c) of this section. The assistance shall include data for the identification of service gaps and underserved populations, training to review and comment on business plans and budgets, procedures to allow participation in quality monitoring, and technical advice on rules of procedure and applicable laws.

"**§ 122C-171. State Consumer and Family Advisory Committee.**

(a) There is established the State Consumer and Advisory Committee (State CAFC). The State CFAC shall be shall be a self-governing and self-directed organization that advises the Department and the General Assembly on the planning and management of the State's public mental health, developmental disabilities and substance abuse services system.

(b) The State CFAC shall be composed of 21 members. The members shall be composed exclusively of adult consumers of mental health, developmental disability and substance abuse services; parents of minor children who are consumers of mental health, developmental disability and substance abuse services; and parents of adult children who are severely developmentally disabled. The terms of members shall be three years and no member may serve more than two consecutive terms. Vacancies shall be filled by the appointing authority. The members shall be appointed as follows:

(1) Nine by the Secretary. The Secretary's appointments shall reflect each of the disability groups. The terms shall be staggered so that terms of three of the appointees expire each year.

(2) Three by the General Assembly upon the recommendations of the President Pro Tempore of the Senate, one each of whom shall come from the three State regions for institutional services (Eastern Region, Central Region and Western Region). The terms of the appointees shall be staggered so that the term of one appointee expires every year.

(3) Three by the General Assembly upon the recommendations of the Speaker of the House of Representatives, one each of whom shall come from the three State regions for institutional services (Eastern Region, Central Region and Western Region). The terms of the appointees shall be staggered so that the term of one appointee expires every year.

(4) Three by the Council of Community Programs, one each of whom shall come from the three State regions for institutional services (Eastern Region, Central Region and Western Region). The terms of the appointees shall be staggered so that the term of one appointee expires every year.

(5) Three by the North Carolina Association of County Commissioners, one each of whom shall come from the three State regions for institutional services (Eastern Region, Central Region and Western Region). The terms of the appointees shall be staggered so that the term of one appointee expires every year.

(c) The State CFAC shall undertake all of the following:

(1) Review, comment on, and monitor the implementation of the State Plan for Mental Health, Developmental Disabilities and Substance Abuse Services.

(2) Identify service gaps and underserved populations.

(3) Make recommendations regarding the service array and monitor the development of additional services.

(4) Review and comment on the State budget for mental health, developmental disabilities and substance abuse services.

(5) Participate in all quality improvement measures and performance indicators.

(6) Receive the findings and recommendations by local CFACs regarding ways to improve the delivery of mental health, developmental disability and substance abuse services.

(7) Provide technical assistance to local CFACs in implementing their duties.

(d) The Secretary shall provide sufficient staff to assist the State CFAC in implementing its duties under subsection (c) of this section. The assistance shall include data for the identification of service gaps and underserved populations, training to review and comment on the State Plan and departmental budget, procedures to allow participation in quality monitoring, and technical advice on rules of procedure and applicable laws.

(e) State CFAC members shall receive the per diem and allowances prescribed by G.S. 138-5 for State boards and commissions."

SECTION 2. There is appropriated from the General Fund to the Department of Health and Human Services the sum of one million two hundred thousand dollars ($1,200,000) for the 2006-2007 fiscal year to implement the MH/DD/SA Consumer Advisory Program as provided in Article 1A of Chapter 122C of the General Statues.

SECTION 3. This act becomes effective July 1, 2006.

LEGISLATIVE PROPOSAL #7

STRENGTHEN MH/DD/SAS PRIVATE PROVIDERS

LEGISLATIVE PROPOSAL #7:

A RECOMMENDATION OF THE LEGISLATIVE OVERSIGHT COMMITTEE FOR MH/DD/SAS
TO THE 2005 GENERAL ASSEMBLY, 2006 SESSION

AN ACT TO ASSIST PRIVATE PROVIDERS TO DELIVER MH/DD/SA SERVICES.

SHORT TITLE: **Strengthen MH/DD/SA Private Providers Refunds.**

BRIEF OVERVIEW: This bill would:

1. Make the facility licensure requirements for outpatient substance abuse services consistent with the facility licensure requirements for outpatient mental health or developmental disability services.
2. Direct the Division to adopt:
   a. A uniform provider contract, uniform billing and claims forms, and uniform person centered plan forms to be used by all providers and all LMEs.
   b. A standard definition of what constitutes a clean claim, standardized denial codes, a standardized policy related to the coordination of benefits.
   c. A system to provide timely outcome data to LMEs.
   d. Identify other areas of standardization that could be implemented without undermining the management authority of LMEs.
3. Direct the Division to identify and eliminate processes and procedures that are duplicative or result in unnecessary paperwork and eliminate or reduce those as much as possible.

EFFECTIVE DATE: The bill would be effective when it becomes law.

A copy of the proposed legislation begins on the next page

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

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BILL DRAFT 2005-RCz-26 [v.5] (04/27)

(THIS IS A DRAFT AND IS NOT READY FOR INTRODUCTION)
5/9/2006 1:33:48 PM

Short Title: Strengthen MH/DD/SA Private Providers. (Public)

Sponsors: .

Referred to:

A BILL TO BE ENTITLED

AN ACT TO ASSIST PRIVATE PROVIDERS DELIIVERY MENTAL HEALTH, DEVELOPMENTAL DISABILITIES AND SUBSTANCE ABUSE SERVICES AS RECOMMENDED BY THE JOINT LEGISLATIVE OVERSIGHT COMMITTEE ON MENTAL HEALTH, DEVELOPMENTAL DISABILITIES AND SUBSTANCE ABUSE SERVICES.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 122C-3(14) reads as rewritten:

"§ 122C-3. Definitions.

As used in this Chapter, unless another meaning is specified or the context clearly requires otherwise, the following terms have the meanings specified:

. . .

(14) "Facility" means any person at one location whose primary purpose is to provide services for the care, treatment, habilitation, or rehabilitation of the mentally ill, the developmentally disabled, or substance abusers, and includes:

a. An "area facility", which is a facility that is operated by or under contract with the area authority or county program. For the purposes of this subparagraph, a contract is a contract, memorandum of understanding, or other written agreement whereby the facility agrees to provide services to one or more clients of the area authority or county program. Area facilities may also be licensable facilities in accordance with Article 2 of this Chapter. A State facility is not an area facility;

b. A "licensable facility", which is a facility that provides services <u>to individuals who are mentally ill, developmentally disabled, or substance abusers</u> for one or more minors or for two or more

adults. ~~When the services offered are provided to individuals who are mentally ill or developmentally disabled, these~~ These services shall be day services offered to the same individual for a period of three hours or more during a 24-hour period, or residential services provided for 24 consecutive hours or more. ~~When the services offered are provided to individuals who are substance abusers, these services shall include all outpatient services, day services offered to the same individual for a period of three hours or more during a 24-hour period, or residential services provided for 24 consecutive hours or more.~~ Facilities for individuals who are substance abusers include chemical dependency facilities;

c. A "private facility", which is a facility that is either a licensable facility or a special unit of a general hospital or a part of either in which the specific service provided is not covered under the terms of a contract with an area authority;

d. The psychiatric service of the University of North Carolina Hospitals at Chapel Hill;

e. A "residential facility", which is a 24-hour facility that is not a hospital, including a group home;

f. A "State facility", which is a facility that is operated by the Secretary;

g. A "24-hour facility", which is a facility that provides a structured living environment and services for a period of 24 consecutive hours or more and includes hospitals that are facilities under this Chapter; and

h. A Veterans Administration facility or part thereof that provides services for the care, treatment, habilitation, or rehabilitation of the mentally ill, the developmentally disabled, or substance abusers."

SECTION 2. G.S. 122C-112.1(a) is amended by adding a new subdivision to read:

"**§ 122C-112.1. Powers and duties of the Secretary.**

(a) The Secretary shall do all of the following:

. . .

(31) Implement standard forms, contracts, processes and procedures to be used by all area authorities and county programs with other public and private service providers. These processes and procedures shall include standardized denial codes and a standard policy regarding the coordination of benefits. The Secretary shall consult with area authorities and county programs regarding the development of these forms, contracts, processes and procedures. Any document or process developed under this subsection shall place an obligation upon providers to transmit to area authorities and county programs timely

client information and outcome data. The Secretary shall also adopt rules regarding what constitutes a clean claim for purposes of billing. When implementing this subdivision, the Secretary shall balance the need for area authorities and county programs to exercise discretion in the discharge of their management responsibilities with the need of private service providers for a uniform system of doing business with public entities. The Secretary shall also (i) identify other areas of standardization that may be implemented without undermining the authority of area authorities and county programs, and (ii) identify and eliminate processes and procedures that are duplicative or result in unnecessary paperwork."

SECTION 3. G.S. 122C-142(a) reads as rewritten:

"§ 122C-142. Contract for services.

(a) When the area authority contracts with persons for the provision of services, the ~~area authority~~ it shall use the standard contract adopted by the Secretary and shall assure that these contracted services meet the requirements of applicable State statutes and the rules of the Commission and the Secretary. However, an area authority or county program may amend the contract to comply with any court-imposed duty or responsibility. Terms of the standard contract shall require the area authority to monitor the contract to assure that rules and State statutes are met. It shall also place an obligation upon the entity providing services to provide to the area authority timely data regarding the clients being served, the services provided and the client outcomes. The Secretary may also monitor contracted services to assure that rules and State statutes are met."

SECTION 4. This act is effective when it becomes law.

LEGISLATIVE PROPOSAL #8

STRENGTHEN LOC OVERSIGHT ROLE

LEGISLATIVE PROPOSAL #8:

A RECOMMENDATION OF THE LEGISLATIVE OVERSIGHT COMMITTEE FOR MH/DD/SAS
TO THE 2005 GENERAL ASSEMBLY, 2006 SESSION

AN ACT TO STRENGTHEN THE OVERSIGHT ROLE OF THE LOC, TO DIRECT THE LOC TO STUDY CERTAIN ISSUES, AND TO REPEAL THE STUDY COMMISSION ON MH/DD/SAS.

SHORT TITLE: Strengthen LOC Oversight Role.

BRIEF OVERVIEW: The bill would:

1 Direct the LOC to study

a. Mechanisms to allow LMEs to purchase bed days from the State psychiatric hospitals.

b. Whether implementation of a Medicaid 1915(b) waiver on a State-wide or expanded basis would strengthen the ability of LMEs to manage the MH/DD/SA system.

c. Whether to consolidate age and disability funding categories.

2. Amend Article 27 of Chapter 120 to make the LOC's oversight powers consistent with those of other oversight committees.

3 Repeal the Legislative Study Commission on Mental Health, Developmental Disabilities and Substance Abuse Services.

EFFECTIVE DATE: The bill would become effective July 1, 2006.

A copy of the proposed legislation begins on the next page

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

U D

BILL DRAFT 2005-RCz-27 [v.4] (04/27)

(THIS IS A DRAFT AND IS NOT READY FOR INTRODUCTION)
5/12/2006 2:04:35 PM

Short Title: Strengthen LOC Oversight Role. (Public)

Sponsors: .

Referred to:

A BILL TO BE ENTITLED

AN ACT TO STRENGTHEN THE OVERSIGHT ROLE OF THE JOINT LEGISLATIVE OVERSIGHT COMMITTEE ON MENTAL HEALTH, DEVELOPMENTAL DISABILITIES AND SUBSTANCE ABUSE SERVICES; TO REPEAL THE LEGISLATIVE STUDY COMMISSION ON MENTAL HEALTH, DEVELOPMENTAL DISABILITIES AND SUBSTANCE ABUSE SERVICES; TO DIRECT THE OVERSIGHT COMMITTEE TO STUDY CERTAIN ISSUES; AND TO MAKE A RECOMMENDATION REGARDING INCREASING HEALTH CARE COVERAGE TO INCLUDE MENTAL HEALTH AND SUBSTANCE ABUSE SERVICES AS RECOMMENDED BY THE JOINT LEGISLATIVE OVERSIGHT COMMITTEE ON MENTAL HEALTH, DEVELOPMENTAL DISABILITIES AND SUBSTANCE ABUSE SERVICES.

The General Assembly of North Carolina enacts:

SECTION 1. Article 27 of Chapter 120 is amended by adding a new section to read:

"**§ 120-244. Committee authority.**

The Committee may obtain information and data from all State officers, agents, agencies, and departments, while in discharge of its duties, under G.S. 120-19, as if it were a committee of the General Assembly. The provisions of G.S. 120-19.1 through G.S. 120-19.4 shall apply to the proceedings of the Committee as if it were a committee of the General Assembly. Any cost of providing information to the Committee not covered by G.S. 120-19.3 may be reimbursed by the Committee from funds appropriated to it for its continuing study."

SECTION 2. Article 23 of Chapter 120 is repealed.

SECTION 3. The Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities and Substance Abuse Services (LOC) shall study the

following issues and report its findings and recommendations to the 2007 Regular Session of the 2007 General Assembly:

a. Mechanisms to allow area authorities and county programs to purchase bed days from the State psychiatric hospitals. The LOC shall consider options for holding area authorities and county programs accountable for their use of State psychiatric institutions, provide incentives to increase community capacity, and options for ensuring the State institutions have a sufficient funding stream to ensure quality care to patients and a stable and well qualified workforce.

b. Whether implementation of a Medicaid 1915(b) waiver on a State-wide or expanded local basis would strengthen the ability of area authorities and county programs to manage the mental health, developmental disabilities and substance abuse system. As part of the study, the LOC shall examine the impact of the waiver on Piedmont Behavioral Health's ability to implement its management functions including utilization management for Medicaid services, consumer satisfaction, provider monitoring, use of best practices, and any other matters the LOC determines are relevant. If the LOC determines that a Medicaid 1915(b) waiver would improve the management capacity of area authorities and county programs, it shall also examine whether it would be more appropriate to seek a State-wide waiver, or whether it would be both possible advisable for additional area authorities and county programs to seek individual waivers.

c. Whether G.S. 122C-147.1 should be amended to modify or repeal the provisions that place funds appropriated by the General Assembly into broad age and disability categories.

SECTION 4. This act is effective when it becomes law.

APPENDIX A

AUTHORIZING LEGISLATION
ARTICLE 27 OF CHAPTER 120
OF THE
GENERAL STATUTES

Article 27.
The Joint Legislative Oversight Committee On Mental Health, Developmental Disabilities, and Substance Abuse Services.

§ 120-240. Creation and membership of Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services.

(a) Establishment; Definition. – There is established the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services.

(b) Membership. – The Committee shall consist of 16 members, as follows:

(1) Eight members of the Senate appointed by the President Pro Tempore of the Senate, as follows:

a. At least two members of the Senate Committee on Appropriations.

b. The chair of the Senate Appropriations Committee on Human Resources.

c. At least two members of the minority party.

(2) Eight members of the House of Representatives appointed by the Speaker of the House of Representatives, as follows:

a. At least two members of the House of Representatives Committee on Appropriations.

b. The cochairs of the House of Representatives Appropriations Subcommittee on Health and Human Services.

c. At least two members of the minority party.

(c) Terms. – Terms on the Committee are for two years and begin on the convening of the General Assembly in each odd-numbered year, except the terms of the initial members, which begin on appointment and end on the day of the convening of the 2001 General Assembly. Members may complete a term of service on the Committee even if they do not seek reelection or are not reelected to the General Assembly, but resignation or removal from service in the General Assembly constitutes resignation or removal from service on the Committee.

A member continues to serve until the member's successor is appointed. A vacancy shall be filled within 30 days by the officer who made the original appointment. (2000-83, s. 2.)

§ 120-241. Purpose of Committee.

The Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services shall examine, on a continuing basis, systemwide issues affecting the development, financing, administration, and delivery of mental health, developmental disabilities, and substance abuse services, including issues relating to the governance, accountability, and quality of services delivered.

The Committee shall make ongoing recommendations to the General Assembly on ways to improve the quality and delivery of services and to maintain a high level of effectiveness and efficiency in system administration at the State and local levels. In conducting its examination, the Committee shall study the budget, programs, administrative organization, and policies of the Department of Health and Human Services to determine ways in which the General Assembly may encourage improvement in mental health, developmental disabilities, and substance abuse services provided to North Carolinians. (2000-83, s. 2.)

§ 120-242. Organization of Committee.

(a) The President Pro Tempore of the Senate and the Speaker of the House of Representatives shall each designate a cochair of the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services. The Committee shall meet at least once a quarter and may meet at other times upon the joint call of the cochairs.

(b) A quorum of the Committee is eight members. No action may be taken except by a majority vote at a meeting at which a quorum is present. While in the discharge of its official duties, the Committee has the powers of a joint committee under G.S. 120-19 and G.S. 120-19.1 through G.S. 120-19.4.

(c) Members of the Committee receive subsistence and travel expenses as provided in G.S. 120-3.1. The Committee may contract for consultants or hire employees in accordance with G.S. 120-32.02. The Legislative Services Commission, through the Legislative Services Officer, shall assign professional staff to assist the Committee in its work. Upon the direction of the Legislative Services Commission, the Supervisors of Clerks of the Senate and of the House of Representatives shall assign clerical staff to the Committee. The expenses for clerical employees shall be borne by the Committee. (2000-83, s. 2.)

§ 120-243. Reports to Committee.

Whenever the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, is required by law to report to the General Assembly or to any of its permanent committees or subcommittees on matters affecting mental health, developmental disabilities, and substance abuse services, the Department shall transmit a copy of the report to the cochairs of the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services. (2003-58, s. 4.)

APPENDIX B

SPENDING PROPOSALS

LOC Proposal	Recurring	Non-Recurring	Total
State Service Dollars for Developmental Therapies for Individuals with Developmental Disabilities	29,435,119		29,435,119
State Service Dollars Per Capita for Mental Health	21,726,570		21,726,570
State Service Dollars Per Capita for Substance Abuse	21,726,570		21,726,570
Operating Cost Subsidy - 400 Apartment Housing Initiative		12,050,830	12,050,830
Housing Trust Fund - 400 Apartment Housing Initiative		11,250,000	11,250,000
Supportive Services Funding and Start-up Funding for HUD-Financed Apartments and Group Homes	713,000	370,000	1,083,000
Mental Health Trust Fund for Community-Based Services		20,000,000	20,000,000
Hospital Debt Service	6,206,680		6,206,680
Funding to AHEC/Rural Health to Recruit Psychiatrists	1,000,000		1,000,000
Start-Up Funding for Crisis Services		10,500,000	10,500,000
State Service Dollars Per Capita for Crisis Services	9,000,000		9,000,000
Per Capita Funding for Psychiatrist Access	9,000,000		9,000,000
Consultants		2,125,000	2,125,000
Local Management Strategic Assistance Team	300,000		300,000
Consumer Advocacy Program	1,200,000		1,200,000
Total:	**$ 100,307,939**	**$ 56,295,830**	**$156,603,769**

SUMMARY OF APPROPRIATIONS RECOMMENDATIONS OF THE JOINT LEGISLATIVE OVERSIGHT COMMITTEE FOR MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE SERVICES

LEGISLATIVE PROPOSAL #1: INCREASE STATE FUNDING FOR MH/DD/SA SERVICES

1. Appropriate **$29,435,119** for Development Therapy services for the developmentally disabled.

2. Appropriate **$21,726,070** to be used for State funded mental health services and **$21,726,070** to be used for State funded substance abuse services. The funds allocated for mental health and substance abuse services would be allocated to those LMEs whose current state service dollar allocation per capita is less than the median State service dollar per capita allocation ($37.65) based on the SFY 05-06 allocations.

3. Allow LMEs the flexibility to **shift up to 15% of their funds** between age and disability categories. This provision would sunset July 1, 2007.

LEGISLATIVE PROPOSAL #2: MH/DD/SA COMMUNITY CAPACITY / FINANCING REFORM

4. Finance 400 independent- and supportive-living apartments for individuals with MH/DD/SA disabilities. Appropriate **$12,050,830 NR** to provide an operating cost subsidy for the apartments for 10 years and appropriate **$11,250,000 NR** to the North Carolina Housing Trust fund to finance the apartments. If the NC Housing Finance Agency is able to finance the apartments for less than the amount appropriated, any remaining funds and any interest earned may be used to finance additional apartments, group homes, and transitional housing.

5. Appropriate **$713,000** for on-going operations support and **$370,000 NR** for start-up expenses to support 12 group home beds and 93 apartments financed through the United States Department of Housing and Urban Development and scheduled to be opened during the 2006-07 fiscal year.

6. Appropriate **$20,000,000 NR** to the Mental Health Trust Fund.

7. Appropriate **$6,206,680** for hospital debt service and reconcile the provisions of the Psychiatric Hospital Financing Act and the 2005 Budget so that debt service is paid from appropriations and savings from downsizing are used for building community capacity.

8. Appropriate **$1,000,000** to AHEC/Rural Health Program to develop a program, which may include loan repayment, to recruit psychiatrists to rural and underserved areas to provide community services.

LEGISLATIVE PROPOSAL #3: INCREASE MH/DD/SA CRISIS SERVICES

9. Appropriate **$10,500,000 NR** to be used by LMEs to establish a continuum of crisis facilities regionally and crisis services locally. It would also appropriate **$425,000 NR** for the General Assembly to hire a consultant to assist LMEs with developing and implementing start-up crisis services.

10. Appropriate **$9,000,000** to create a fund to be used by LMEs to pay for non-Medicaid reimbursable crisis (core) services.

11. Appropriate **$9,000,000** for LMEs to ensure access to core psychiatrist services.

LEGISLATIVE PROPOSAL #4: STRENGTHEN STATE MH/DD/SA REFORM

12. Appropriate **$1,700,000 NR** to DHHS to hire one or more consultants to:
    a. Assist with strategic planning.
    b. Increase the capacity of DHHS to implement system reform.
    c. Assist the Division to work with LMEs to:
        i. Develop and implement 5-10 critical performance indicators to be used to hold LMEs accountable for managing the MH/DD/SA system.
        ii. Standardize the utilization management functions for non-Medicaid services.
        iii. Develop LME expertise to undertake utilization management for Medicaid services beginning July 1, 2007, but no later than July 1, 2009.
        iv. Develop standardized LME operating procedures.
        v. Implement other LME management functions.
    d. Provide technical assistance and oversight to providers and LMEs to ensure that best practices and new services are being delivered with fidelity to the model.

13. Appropriate **$300,000** to the DHHS to create three full-time positions for the creation of a Local Management Strategic Assistance Team to assist LMEs develop, implement, and maintain their statutory responsibilities.

LEGISLATIVE PROPOSAL #5: STRENGTHEN LOCAL MANAGEMENT ENTITIES (LMEs)

14. Direct the Division to **recalculate the LME systems management allocations** for SFY 2006-2007 to include funds for each LME to implement 24/7/365 screening, triage and referral and the review and approval of all person-centered plans. **Direct the Department to retain all funds withdrawn from the LME cost model allocations that are not accounted for by this recalculation and transfer the funds to LMEs to use for services.**

LEGISLATIVE PROPOSAL #6: CONSUMER AND ADVISORY COMMITTEES

15. Appropriate **$1,200,000** to implement the MH/DD/SA Consumer Advocacy Program (Article 1A of Chapter 122C) as enacted in 2001.

Summary of Cost of LOC Recommendations

As of 5/10/06 Meeting

LOC Recommendation	Recurring	Non-Recurring	Total
State Service Dollars for Developmental Therapies for Individuals with Developmental Disabilities	29,435,119		29,435,119
State Service Dollars Per Capita for Mental Health	21,726,570		21,726,570
State Service Dollars Per Capita for Substance Abuse	21,726,570		21,726,570
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Hospital Debt Service	6,206,680		6,206,680
Funding to AHEC/Rural Health to Recruit Psychiatrists	1,000,000		1,000,000
Start-Up Funding for Crisis Services		10,500,000	10,500,000
State Service Dollars Per Capita for Crisis Services	9,000,000		9,000,000
Per Capita Funding for Psychiatrist Access	9,000,000		9,000,000
Consultants		2,125,000	2,125,000
Local Management Strategic Assistance Team	300,000		300,000
Consumer Advocacy Program	1,200,000		1,200,000
Total:	**$ 100,307,939**	**$ 56,295,830**	**$ 156,603,769**

Summary of Cost of LOC Recommendations

As of 5/10/06 Meeting

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Consumer Advocacy Program	1,200,000		1,200,000
Total:	**$ 100,307,939**	**$ 56,295,830**	**$ 156,603,769**

Revised State Service Dollars Per Capita Allocations

1	2	3	4	5	6	7	8	9
LME	Total Service Funds	All CASP Funds	Total W/O CASP (Col. 2 - Col. 3)	7/1/05 Population	Total Per Capita (Col. 1 / Col. 5)	Per Cap. W/O CASP (Col. 4 / Col. 5)	Difference (Col. 7 - Median Col. 7)	Dollars to Median (Col. 8 * Col. 5)
Alamance-Caswell-Rock.	11,209,536	102,700	11,106,836	258,766	43.32	42.92	5.27	$ -
Albemarle	4,805,225	122,700	4,682,525	127,430	37.71	36.75	(0.90)	$ 115,056
Catawba	4,913,605	338,700	4,574,905	151,169	32.50	30.26	(7.39)	$ 1,116,420
CenterPoint	13,322,967	986,712	12,336,255	411,590	32.37	29.97	(7.68)	$ 3,159,596
Crossroads	8,809,705	0	8,809,705	251,318	35.05	35.05	(2.59)	$ 652,105
Cumberland	9,148,011	232,700	8,915,311	315,122	29.03	28.29	(9.36)	$ 2,948,640
Durham	9,131,524	743,495	8,388,029	243,322	37.53	34.47	(3.18)	$ 772,742
Eastpointe	11,979,907	503,308	11,476,599	292,708	40.93	39.21	1.56	$ -
Edgecombe-Nash	5,968,222	0	5,968,222	145,140	41.12	41.12	3.47	$ -
Five County	10,760,210	379,200	10,381,010	230,590	46.66	45.02	7.37	$ -
Foothills	9,160,066	325,000	8,835,066	250,358	36.59	35.29	(2.36)	$ 590,601
Guilford	14,864,345	1,168,316	13,696,029	446,189	33.31	30.70	(6.95)	$ 3,102,432
Johnston	3,742,858	178,134	3,564,724	145,240	25.77	24.54	(13.11)	$ 1,903,381
Mecklenburg	19,264,694	2,043,348	17,221,346	789,940	24.39	21.80	(15.85)	$ 12,518,912
Neuse	5,526,598	317,676	5,208,922	117,614	46.99	44.29	6.64	$ -
New River	6,987,484	102,700	6,884,784	166,517	41.96	41.35	3.70	$ -
Onslow-Carteret	6,370,402	429,576	5,940,826	223,855	28.46	26.54	(11.11)	$ 2,487,036
OPC	11,353,723	1,786,683	9,567,040	219,384	51.75	43.61	5.96	$ -
Pathways	15,544,426	1,918,632	13,625,794	363,562	42.76	37.48	(0.17)	$ 61,863
Piedmont	27,524,606	454,824	27,069,782	657,107	41.89	41.20	3.55	$ -
Pitt	6,795,927	2,643,184	4,152,743	143,158	47.47	29.01	(8.64)	$ 1,236,978
Roanoke-Chowan	3,781,332	455,677	3,325,655	76,385	49.50	43.54	5.89	$ -
Sandhills	21,786,529	2,142,871	19,643,658	515,227	42.29	38.13	0.48	$ -
Smoky Mountain	7,954,991	122,700	7,832,291	183,644	43.32	42.65	5.00	$ -
Southeastern	10,932,657	1,884,238	9,048,419	308,552	35.43	29.33	(8.32)	$ 2,568,180
Southeastern Regional	11,035,225	742,106	10,293,119	253,778	43.48	40.56	2.91	$ -
Tideland	5,368,401	814,616	4,553,785	94,511	56.80	48.18	10.53	$ -
Wake	19,914,357	2,120,976	17,793,381	744,024	26.77	23.92	(13.73)	$ 10,218,197
Western Highlands	21,456,995	3,076,322	18,380,673	486,018	44.15	37.82	0.17	$ -
Wilson-Greene	4,608,237	458,805	4,149,432	97,729	47.15	42.46	4.81	$ -
TOTALS	324,022,765	26,595,899	297,426,866	8,709,947	37.20	34.15		$ 43,452,140
					Median no CASP	37.65		

CASP = Cross Area Service Programs. These are programs funded within an LME's allocation but the CASP serves a multi-LME or statewide population.

Health and Human Services Joint Appropriations Subcommittee
FY 2006-07 Expansion Items for Consideration

Division	Item Description	Recurring	Non-Recurring	Total	Source
[redacted]					
Medical Assistance	Cap County Share	65,000,000		65,000,000	Study Commission
	Inflationary Increases	65,000,000		65,000,000	Other
	Increase Medicaid Hospital Outpatient Payments	13,000,000		13,000,000	Other
	Complete the Implementation of the Skilled Nursing Facility Case Mix Reimbursement System	23,000,000		23,000,000	Other
	Adult Care Home - Personal Care Services Increase	30,000,000		30,000,000	Other
Public Health	Continue Funding for 65 School Nurses	3,250,000		3,250,000	Governor
	Early Intervention (357 positions)	15,561,108		15,561,108	Governor - Modified
	Health Disparities Initiative (2 positions)	2,000,000		2,000,000	Governor - Modified
	Dental Preventive Services	390,000		390,000	Governor - Modified
	Antiviral Purchase for Pandemic Flu		190,000	190,000	Governor
	Private Well Water Safety Program (3 positions)			Hold	Governor
	Tick-Borne Infections Program (1 position)			Hold	Governor
	Universal Vaccine Program	15,673,263		15,673,263	Governor - Modified / Study Commission
	50 Additional School Nurses	2,500,000		2,500,000	Other
	Universal Vaccine Program	31,375,199		31,375,199	Other
	Healthy Start Foundation		1,000,000	1,000,000	Other
	Prevention of Child Maltreatment	90,000		90,000	Other
	Statewide Infant Safe Sleep Campaign		100,000	100,000	Other
[redacted]	Grant-in-Aid to Adolescent Prevention Coalition of NC		200,000	200,000	Other
	Funds to Support Healthy Beginnings Minority Infant Mortality Projects and to Provide Education to Women Regarding the Prevention of Preterm Births		550,000	550,000	Other
	Interpreter Services in Local Health Departments	250,000		250,000	Other
	Grant-in-Aid to Thurman Zumwalt Foundation for Start-Up Costs to Address Military Health Issues		250,000	250,000	Other
	Grant-in-Aid to CAARE, Inc.		50,000	50,000	Other
	Healthy Carolinians Partnerships Health Promotion Initiatives in Each County		1,000,000	1,000,000	Other
Facility Services	Regional Advisory Committees	1,000,000		1,000,000	Study Commission
	Health Care Personnel Registry (27 positions)	1,700,000		1,700,000	Study Commission
Voc. Rehab.	Assistive Technology Waiting List (4 positions)			Hold	Governor
MH/DD/SAS	Child and Family Support Teams			Hold	Governor
	Developmental Therapies for the Developmental Disabilities	29,435,119		29,435,119	Governor / Study Commission
	Initiatives for Healthy Families (1 position)			Hold	Governor
	Central Psych Hospital - IT and Equipment (3 positions)	1,706,461	20,000,000	21,706,461	Governor
[redacted]	Operating Funds for ADATC Renovations (159 positions)	5,191,815		5,191,815	Governor
	State Service Dollars for Mental Health	21,726,570		21,726,570	Study Commission

Health and Human Services Joint Appropriations Subcommittee
FY 2006-07 Expansion Items for Consideration

Division	Item Description	Recurring	Non-Recurring	Total	Source
	State Service Dollars for Substance Abuse	21,726,570		21,726,570	Study Commission
	Housing Trust Fund - 400 Apartments		11,250,000	11,250,000	Study Commission
	Operating Cost Subsidy for 400 Apartments		12,050,830	12,050,830	Study Commission
	Supportive Services for 811 Projects	713,000	370,000	1,083,000	Study Commission
	MHTF for Community-Based Services		20,000,000	20,000,000	Study Commission
	Hospital Debt Service	6,206,680		6,206,680	Study Commission
	Start-Up Funding for Crisis Services		10,500,000	10,500,000	Study Commission
	State Service Dollars for Crisis Services	9,000,000		9,000,000	Study Commission
	Per Capita Funding for Psychiatrist Access	9,000,000		9,000,000	Study Commission
	Funding to AHEC/Rural Health for Psychs	1,000,000		1,000,000	Study Commission
	Consultants		2,125,000	2,125,000	Study Commission
	Consumer Advocacy Program	1,200,000		1,200,000	Study Commission
	Strategic LME Team (3 positions)	300,000		300,000	Study Commission
	NC Council of Community Programs LME Training Academy		150,000	150,000	Other
	Grant-in-Aid to Autism Society of NC		500,000	500,000	Other
	Services for Deaf/Mentally Ill Individuals (Coalition 2001)	2,000,000		2,000,000	Other
	Funds to the Traumatic Brain Injury Program to Provide Prevention and Intervention Programs	2,800,000		2,800,000	Other
Child Development	Child Care Subsidy	35,000,000		35,000,000	Governor - Modified
	Smart Start	17,500,000		17,500,000	Governor - Modified
	Improve Regulatory Oversight (10 positions)	453,222	12,291	465,513	Governor
	T.E.A.C.H. Early Childhood Project	750,000		750,000	Other
OES	Early Intervention Teachers for the Deaf and Hard of Hearing (8 positions)	293,493		293,493	Governor
	Early Intervention Teachers for the Blind and Visually Impaired (6 positions)	233,533		233,533	Governor
	Language Interpreters (4 positions)			Hold	Governor
	Dormitory Supervisors at North Carolina School for the Deaf in Morganton (2 positions)	39,730		39,730	Governor
	Housekeeper at North Carolina School for the Deaf in Morganton (1 position)	20,358		20,358	Governor
	Behavior Specialists for Eastern North Carolina School for the Deaf (2 positions)	45,663		45,663	Governor
	Telemedicine for Children in Residential Schools	24,000	50,000	74,000	Governor
	BEGINNINGS for Parents of Children Who Are Deaf or Hard of Hearing	168,235		168,235	Other
Social Services	Child and Family Support Teams	720,804		720,804	Governor
	Federal Budget Impact on Foster Care Services	2,040,755		2,040,755	Governor
	Foster Care and Adoption Assistance Payments	10,206,898		10,206,898	Governor
	Child Support Enforcement Call Center		2,287,393	2,287,393	Governor
	Paternity Testing for Child Support Enforcement	151,500		151,500	Governor
	Child Welfare Collaborative		2,800,000	2,800,000	Other

Health and Human Services Joint Appropriations Subcommittee
FY 2006-07 Expansion Items for Consideration

Division	Item Description	Recurring	Non-Recurring	Total	Source
	North Carolina Food Banks		400,000	400,000	Other
	Passage Home, Inc.		50,000	50,000	Other
	Food Shuttle Funds		100,000	100,000	Other
	Increase Special Assistance Rate for Adult Care Homes for Non-Special Care Unit residents to $1,194 (from $1,118)	10,000,000		10,000,000	Other
Aging	Home and Community Care Block Grant	3,000,000		3,000,000	Governor / Study Commission - Modified
	State Adult Day Care Fund Increase ($5 rate increase)	556,556		556,556	Study Commission
	HCCBG Increase ($5 rate increase)	487,194		487,194	Study Commission
	Long-Term Care Ombudsman Positions (10 positions)	492,136		492,136	Study Commission
Central Mgmt.	Public Awareness of Safe Surrender of Infants	100,000		100,000	Governor
	MMIS System (Medicaid Reserve fund)			Medicaid Reserve Fund	Governor
	Reserve for Utility and Fuel Costs		1,271,533	1,271,533	Governor
	Funds to Community Health Centers for Uninsured or Medically Indigent Patients		15,000,000	15,000,000	Other
Total:		**464,079,862**	**102,257,047**	**566,336,909**	

HHS Joint Target	**4,213,376,865**
2006-07 Certified Budget	**4,264,940,128**
Difference	**(51,563,263)**
Assumption: More@4 Reprogram	**(66,646,653)**
Expansion Allowed (Reductions Needed)	**15,083,390**
Revised Medicaid Forecast	**(150,000,000)**
Expansion Allowed (Reductions Needed)	**165,083,390**
Total Spending Above (Excluding More@4 Reduction and Revised Medicaid Forecast)	**566,336,909**
Difference	**(401,253,519)**

Attachment II

Critical Preparedness Infrastructure

New State PH Laboratory
and OCME Facility Report
to
Joint Appropriations Committee

May 16, 2006

Key Role for SLPH: PREPAREDNESS

- Since 2001, serves as the NC lead laboratory for National Laboratory Response Network (LRN) for CDC
- Conduct Bioterrorism testing-anthrax crisis, ricin, postal service testing, white powder testing
- Conducts Chemical terrorism testing
- High level containment laboratory (BSL-3)

Key Role for the Medical Examiner: PREPAREDNESS

- Autopsy Confirmation
- Toxicology
- Mass Casualties
- Federal Team Support Logistics
- Law Enforcement

Governor's Budget Recommendation

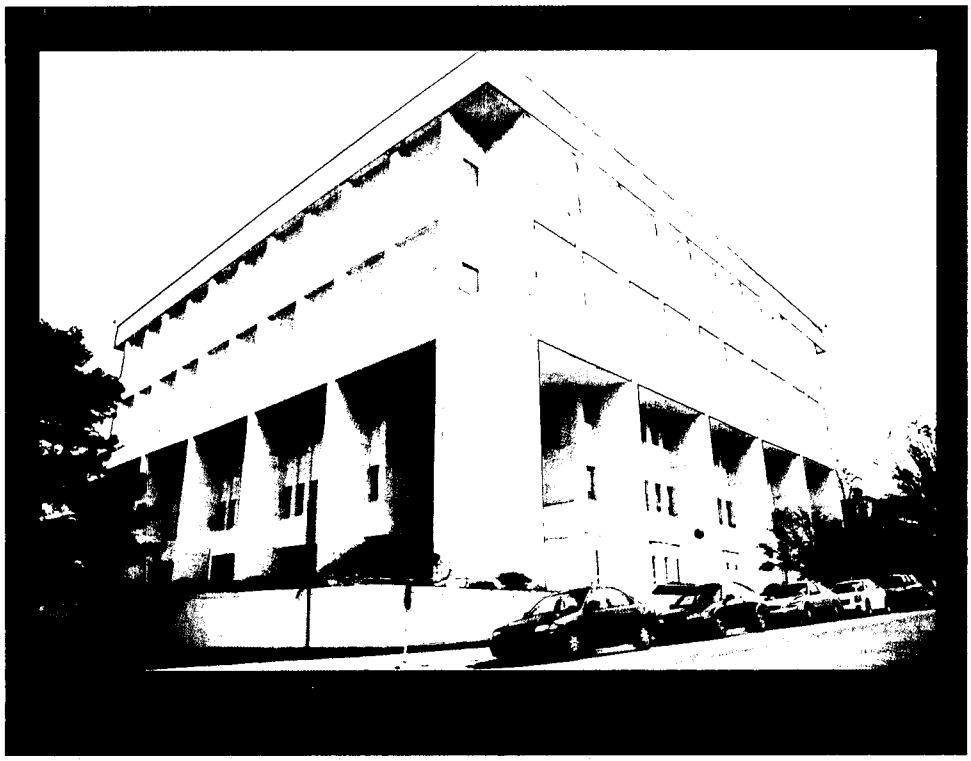
- Pursue design and construction of a new co-located SLPH and OCME facility to replace aging and inadequate facilities.
- $101,000,000
- Based on Updated Feasibility Study 2004

Letter of Support

- Carmen Hooker Odom, Secretary - NC Dept. of Health and Human Services
- Bryan Beatty, Secretary - NC Dept. of Crime Control and Public Safety
- Steve Troxler, Commissioner - NC Dept. of Agriculture and Consumer Services
- Warwick Arden, Dean - NCSU College of Veterinary Medicine

NC State Lab of Public Health

- Bath Building – designed/built early 70's
- Occupied – 1973, included much of DPH
- 75% of Lab work manual; approx. 28% of current workload (1.6 M exams)
- Renovated 1988-89; approx. 95,000 sq.ft.
- Current HVAC inadequate-must keep labs neg. pressure to halls; electrical power unstable and completely inadequate; lack of building security (perimeter)



State Lab Services

- Cancer Cytology (Pap tests)
- Microbiology (identifies pathogenic bacteria, viruses, parasites, foodborne pathogens)
- Newborn Screening/Clinical Chemistry
- Virology/Serology (including rabies)
- Environmental Sciences (includes drinking water testing; environmental contaminants)
- Laboratory Improvement (provides continuing education for labs across the state)

Materials handled by State Lab

Hazardous biological materials that often contain pathogens such as viruses, bacteria, fungi:

- Fecal and urine samples
- Tissue samples
- Blood samples
- Animal heads (rabies); insects & birds (arboviruses)

Hazardous chemicals

Low-level radioactive materials

Suspected bioterrorism samples (e.g., anthrax)

NC SLPH

- 1,000,000 specimens/samples received each year
- Over 6,000,000 test results generated each year
- Train over 2000 laboratorians/HCP each year

Office of Chief Medical Examiner

- Facility built in early 1970's
- Space inadequate – autopsy, morgue, laboratory
- Parking for transport vehicles inadequate
- Access to building inadequate
- Cannot support Mass Fatality situation

Office of the Chief Medical Examiner (continued)

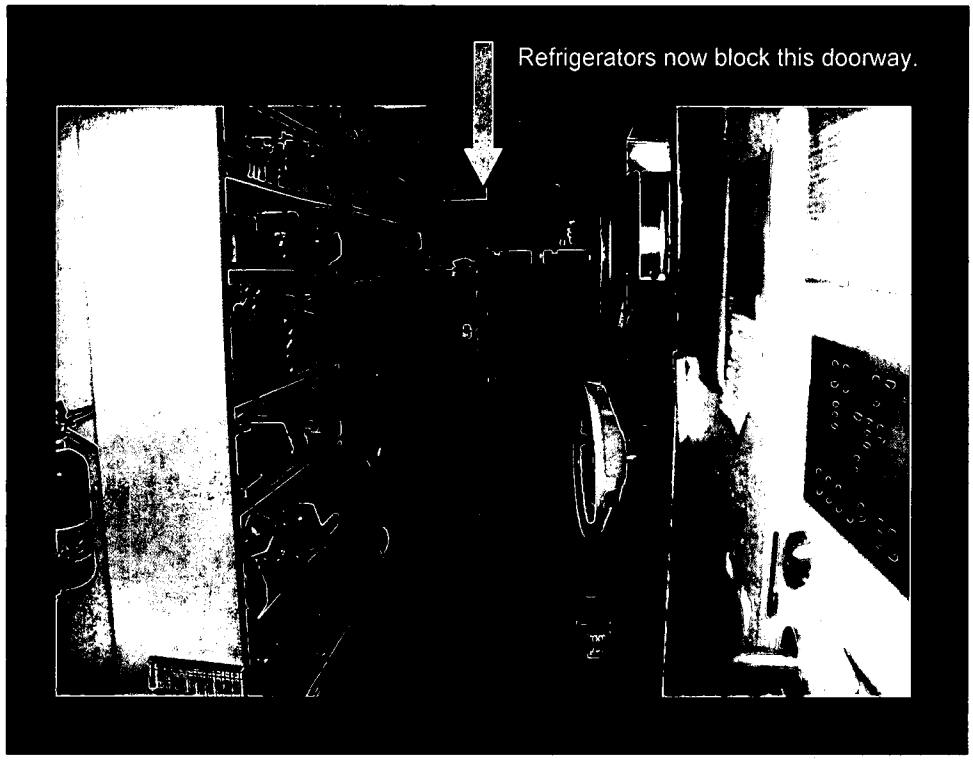
- 1500 autopsies/year – tripled since 1972
- Toxicology tests have doubled since 1999 (quadrupled since 1972) – conduct for all Mes
- Space for Forensic records at capacity

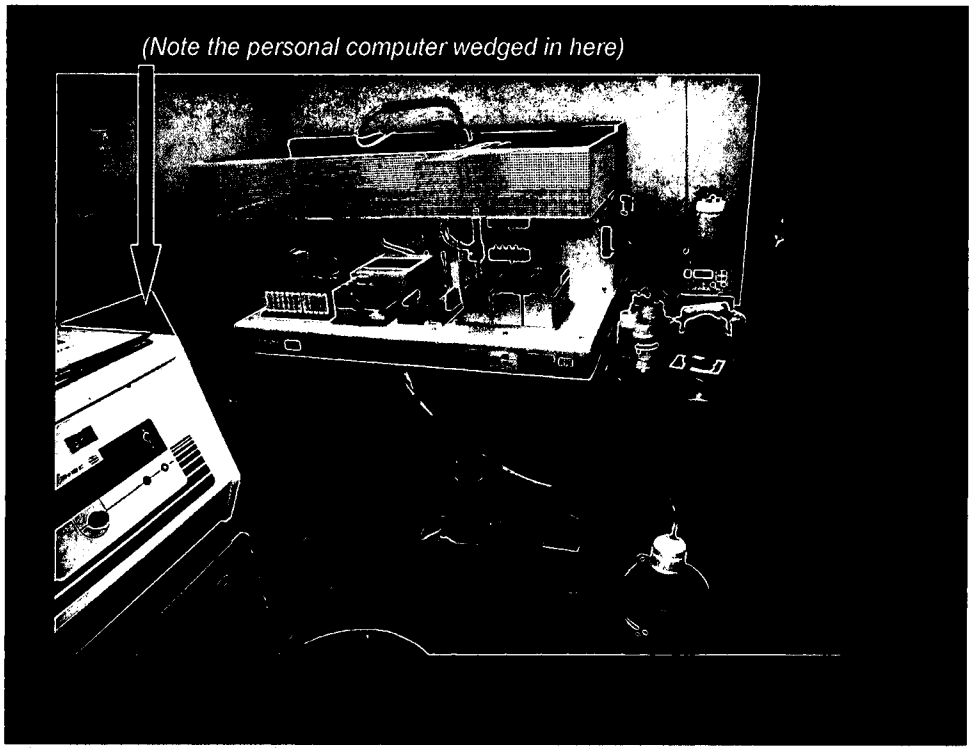
Limitations of today's State Public Health Lab

- *Security*
- *Physical space*
- *Safety issues*
- *Electrical power*
- *Ventilation*
- *Efficiency*

Security

- The loading dock area under building is open; access is not controlled or limited—anyone can drive anything under the building.
- There is no controlled perimeter around the building and no security gate or controlled access.
- Movement through the building of materials/samples


Refrigerators now block this doorway.


(Note the personal computer wedged in here)

Safety issues

- Labs lack windows to observe workers
- Emergency exiting is hazardous: convoluted floor plan; poor emergency lighting.
- Tight work areas, maze of small rooms, and narrow hallways crowded with supplies and equipment pose safety concerns.

Safety issues, cont.

- Maze-like halls and strung-together rooms make emergency exits and equipment (including fire extinguishers) hard to spot.
- There are few easily accessed up-to-date eyewash stations or emergency showers in case of chemical or biohazard spills/splashes on lab workers.
- Elevators are unreliable.

Electrical power problems

- Electricity is insufficient and unreliable (power outages, surges, brownouts).
- Wiring is inadequate to support power needs.
- Emergency backup power sources are inadequate.
- Lighting is poor in most work areas.

Stinky stuff! Cooker emits ammonium hydroxide fumes.

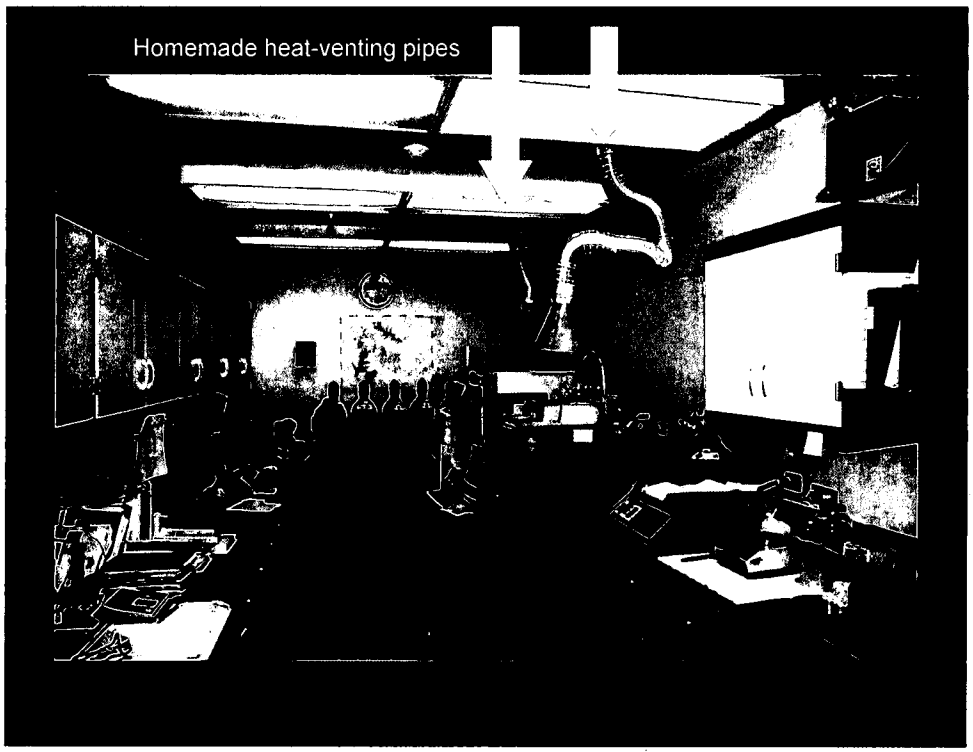
Electrical power is insufficient to run all needed exhaust hoods and cookers at the same time.

Ventilation limitations

- Climate control system cannot maintain appropriate temperatures for high-tech equipment.
- Air-handling controls are inadequate. Many lab rooms cannot maintain negative air pressure relative to halls—a potential safety hazard (air should flow from halls into labs, not from labs into halls).

30- and 40-year old hoods and their controls are corroded from chemical exposures; features and capacity are inadequate for current workload.

Two large floor fans help airflow.


Homemade heat-venting pipes

Efficiency

- Testing procedures must be spread out over several rooms, as spaces are too small for the necessary equipment, supplies and staff.
- Support staff for labs are located on different floors.
- Power supplies are not sufficient to run all needed equipment at the same time.

New PH Labs Constructed

Labs constructed in the past 8 years:

- **Colorado** (1997)
- **Alaska** (2000)
- **Georgia** (2000)
- **California** (2003)
- **Virginia** (2003)
- **Texas** (2003)
- **Arizona** (2004)

New PH Labs in the Works

- **Ohio;**
- **Arkansas** – broke ground 2004;
- **Minnesota**- broke ground 2004;
- **Missouri** (estimated completion, Fall 2006);
- **Oregon** (2006);
- **Indiana** (estimated completion, November 2006);
- **Illinois-** central lab addition (Springfield);
- **Florida** – Jacksonville;
- **Connecticut** - 2009;
- **New Mexico;**
- **Georgia** (Branch lab in Waycross)

New PH Labs Under Discussion

- **New Jersey**
- **Iowa**
- **North Carolina**
- **Mississippi**
- **Louisiana (before and now after Katrina)**

New SLPH/OCME facility

- Feasibility study
  - (Paid with CDC BT Grant funds)
- RFP-2003; CUH2A selected (vast experience with other SLPH designs/constructions)
- On-site study - April-July, 2004
- Approx. 127,000 sq. ft. for SLPH's existing and proposed needs; includes OCME

NC Preparedness and Response Critical Infrastructure

Public Health Lab

Medical Examiners Office

Questions?

The Need For Replacement Facilities for Cherry and Broughton Hospitals

Division of Mental Health, Developmental Disabilities and Substance Abuse Services

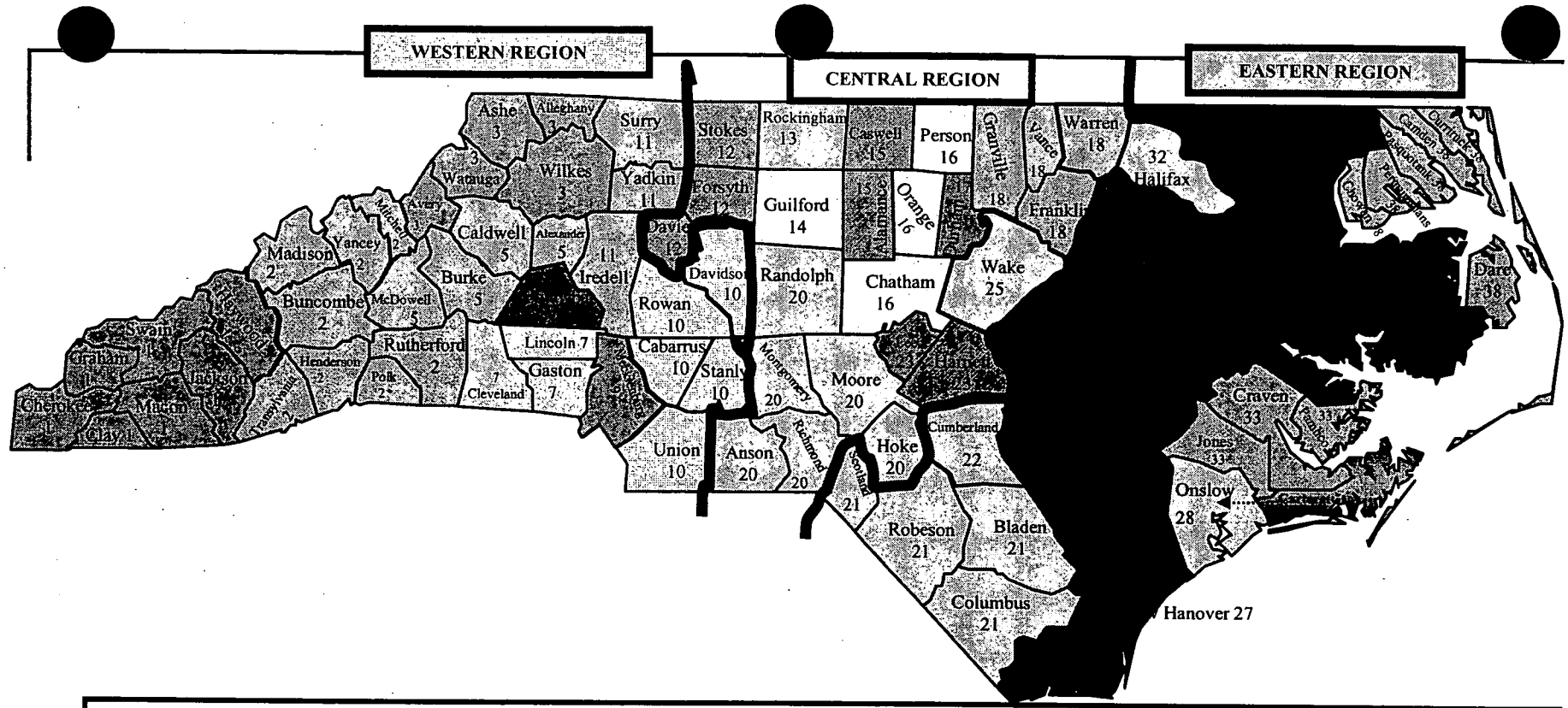
May 16, 2006

Attachment III

Cherry and Broughton Hospitals

- Cherry Hospital
  - Located in Goldsboro
  - Serves eastern North Carolina counties

- Broughton Hospital
  - Located in Morganton
  - Serves western North Carolina counties



N= 3,299,633

Western Region

1 Smoky Mountain 183,644
2 Western Highland 486,018
3 New River 166,517
5 Foothills 250,358
7 Pathways 363,562
8 Catawba 151,169
9 Mecklenburg 789,940
10 Piedmont 657,107
11 Crossroads 251,318

N= 3,069,092

Central Region

25 Wake 744,024
12 CenterPoint 411,590
13 Rockingham 93,370
15 Alamance-Caswell 165,396
14 Guilford 446,189
16 Orange-Person-Chatham 219,384
20 Sandhills 361,003
23 Lee-Harnett 154,224
17 Durham 243,322
18 Vance-Granville-Franklin-Warren 173,537
32 Riverstone 57,053

N= 2,341,222

Eastern Region

27 Southeastern Area 308,552
22 Cumberland 315,122
21 Southeastern Region 253,778
24 Johnston 145,240
30 Wilson-Greene 97,729
31 Edgecombe-Nash 145,140
35 Pitt 143,158
36 Roanoke-Chowan 76,385
37 Tideland 94,511
38 Albemarle 127,430
39 Eastpointe 292,708
28 Onslow 162,219
33 Neuse 179,250

Cherry and Broughton Hospitals Patients Served

- Adolescents, adults and geriatric adults who have psychiatric illnesses such as schizophrenia, bi-polar disorder, major depression, etc.

- Approximately 40% of admissions to the hospitals have either primary or secondary diagnoses of substance abuse.

Cherry and Broughton Hospitals Patients Served (cont.)

- All individuals admitted meet medical necessity criteria of dangerousness to themselves or others.

- Broughton Hospital also has a specialized unit for individuals who are deaf. In FY08 another specialized unit will be developed for the forensic population.

Cherry and Broughton Hospitals Numbers Served

- Cherry Hospital
  - 4,590 admissions in FY05 (increase of 34% since FY03).
  - Total bed capacity of 227*

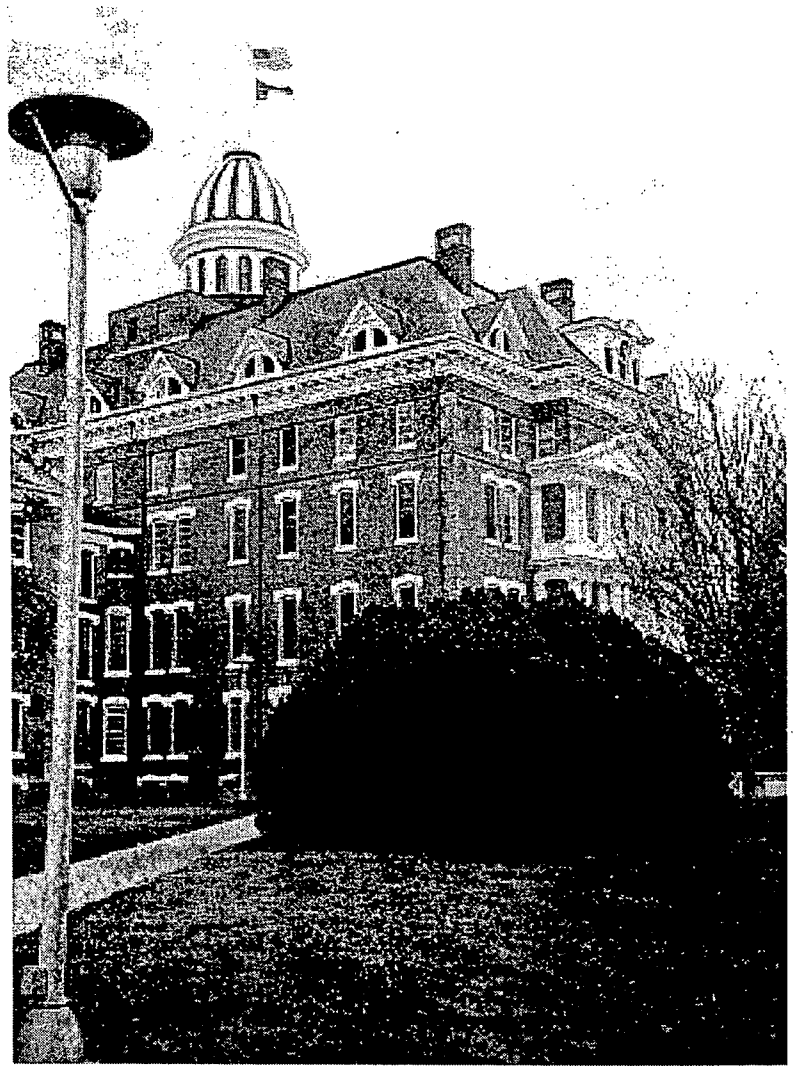
- Broughton Hospital
  - 3,806 admissions in FY05 (increase of 19% since FY03).
  - Total bed capacity of 299*

* Census often exceeds established capacity

Why do we need to replace the current hospital facilities?

- Age of the buildings
- Multiple building campuses
- Outdated design
- Staffing inefficiencies
- Technology issues
- Maintenance/upkeep

Age of the Buildings

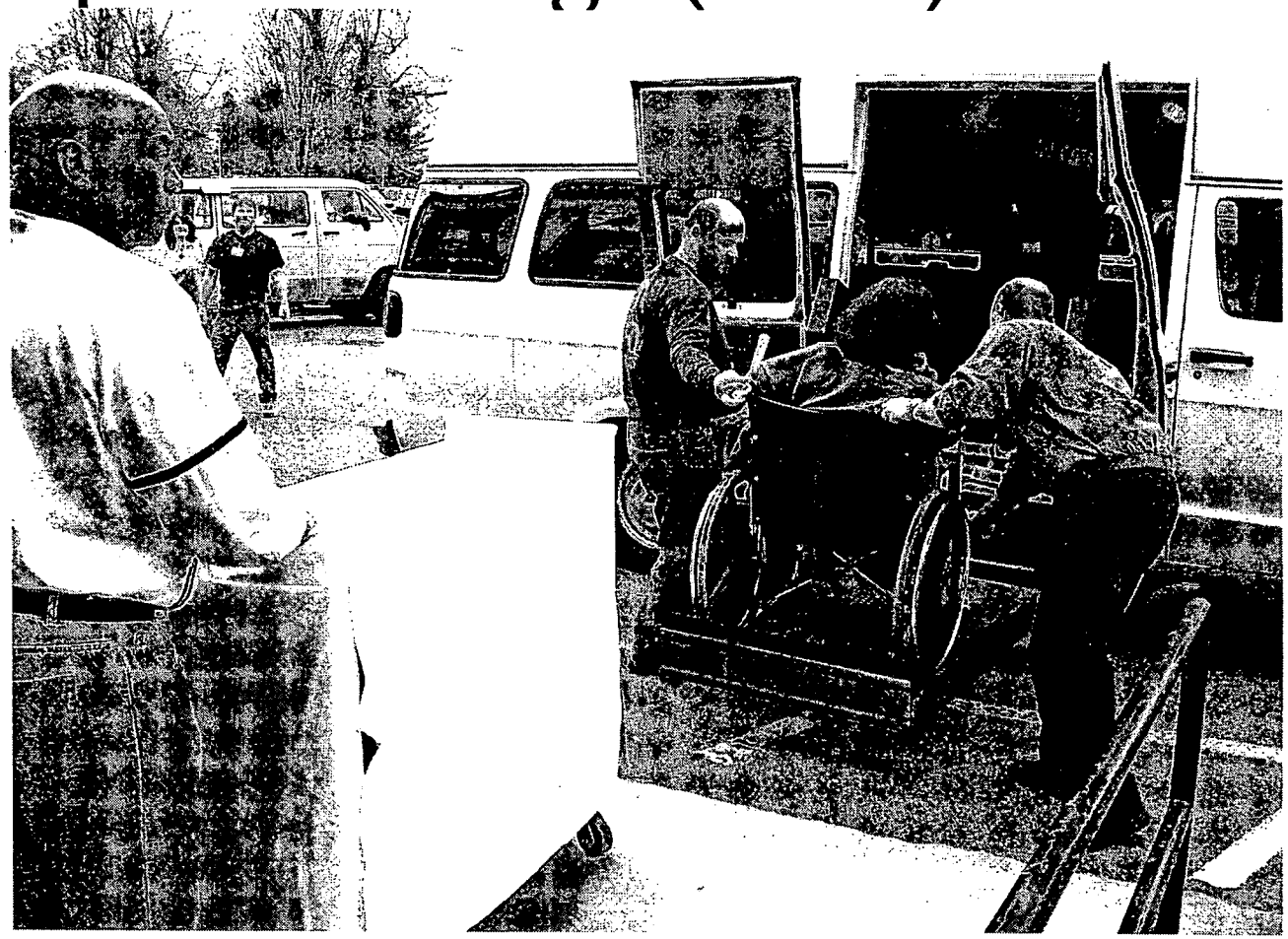


- All of the patient facilities at Cherry and Broughton Hospitals are dated and in need of replacement.
- Avery Building, shown at left, is the main patient building at Broughton Hospital and was built in 1882.
- The newest buildings on both campuses were constructed in the 1950s and 1960s.

Multiple Buildings

- Both Cherry and Broughton Hospitals consist of multiple buildings on campus requiring transportation of patients and patient records between buildings resulting in:
  - Increased risk of patient and staff injury
  - Increased risk for patient elopement
  - Reduced staff time for active patient treatment

Multiple Buildings (cont.)

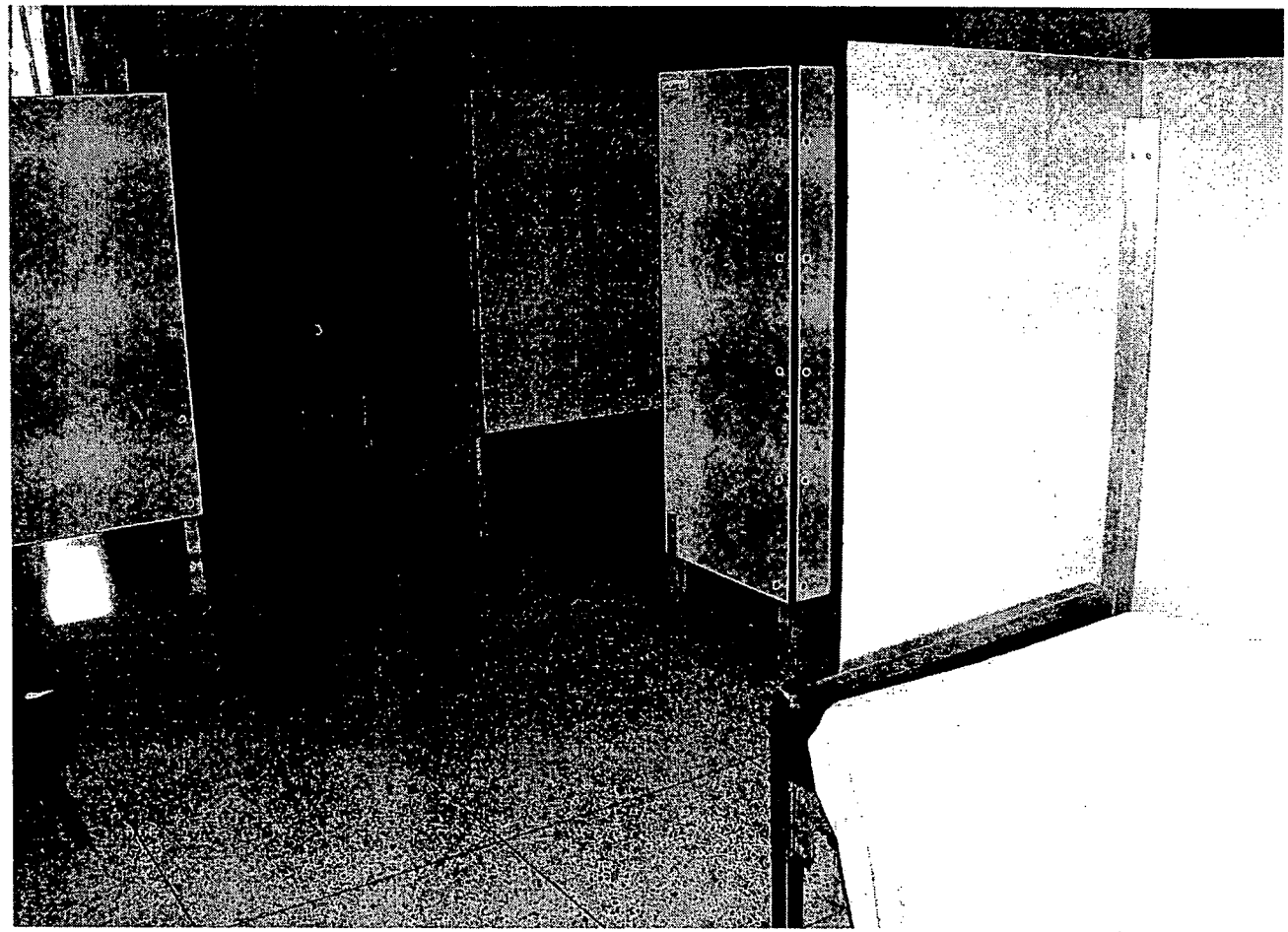


Nursing staff at Broughton Hospital Transporting Patients and Patient Records to Another Building for Participation in the Treatment Mall.

Outdated Design

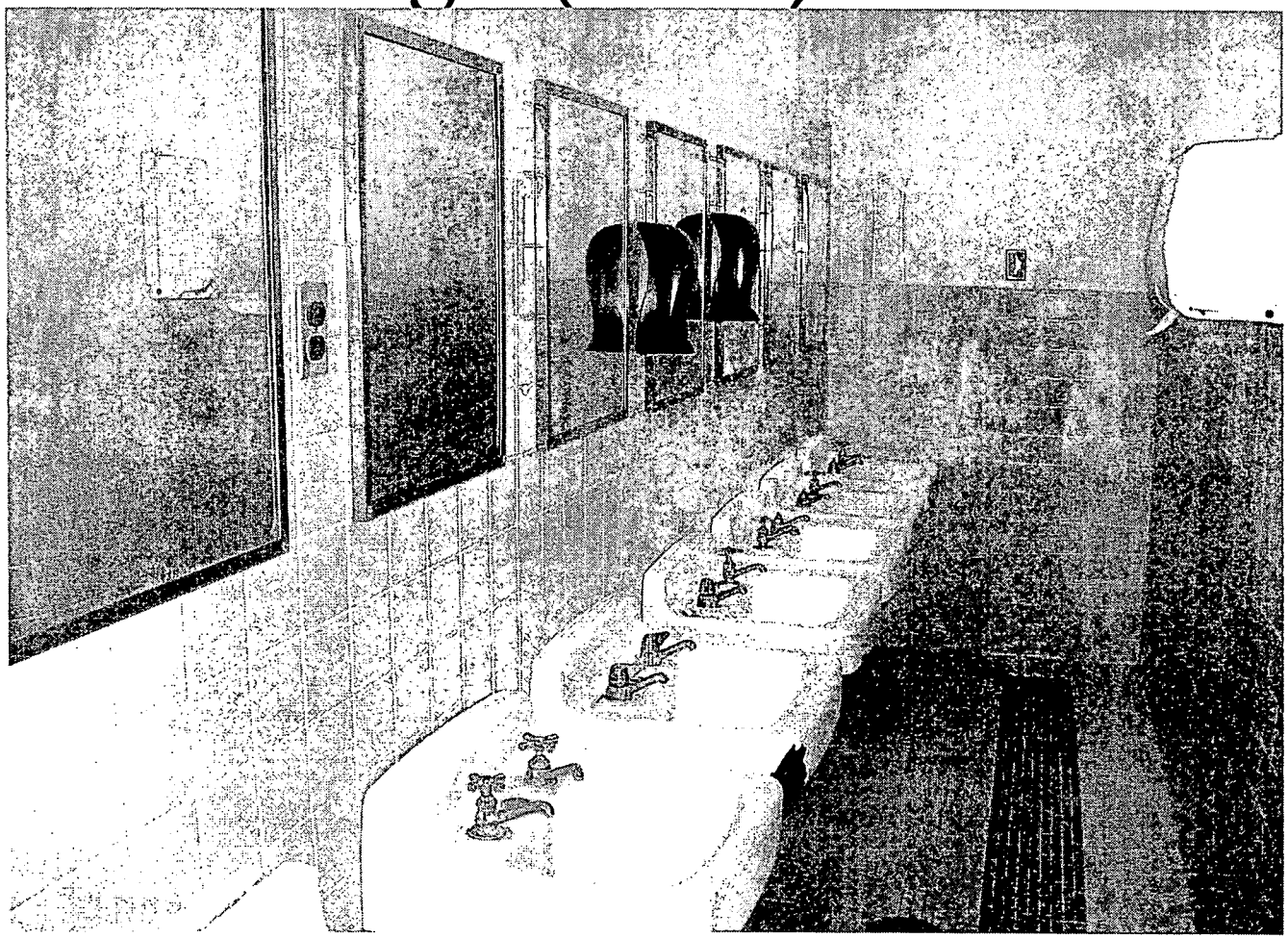
- The population currently served at a state hospital is much more acute than the population served when the buildings were constructed. The design of the buildings lead to such issues as:
  - Overcrowded patient areas that do not allow for privacy and human dignity.
  - Overcrowded patient areas can lead to increased interpersonal conflicts and aggressive behaviors.
  - The buildings have numerous hazards to patients from old construction and renovation. For example, outdated shower plumbing increases the risk of a patient committing suicide by hanging.

Outdated Design (cont.)



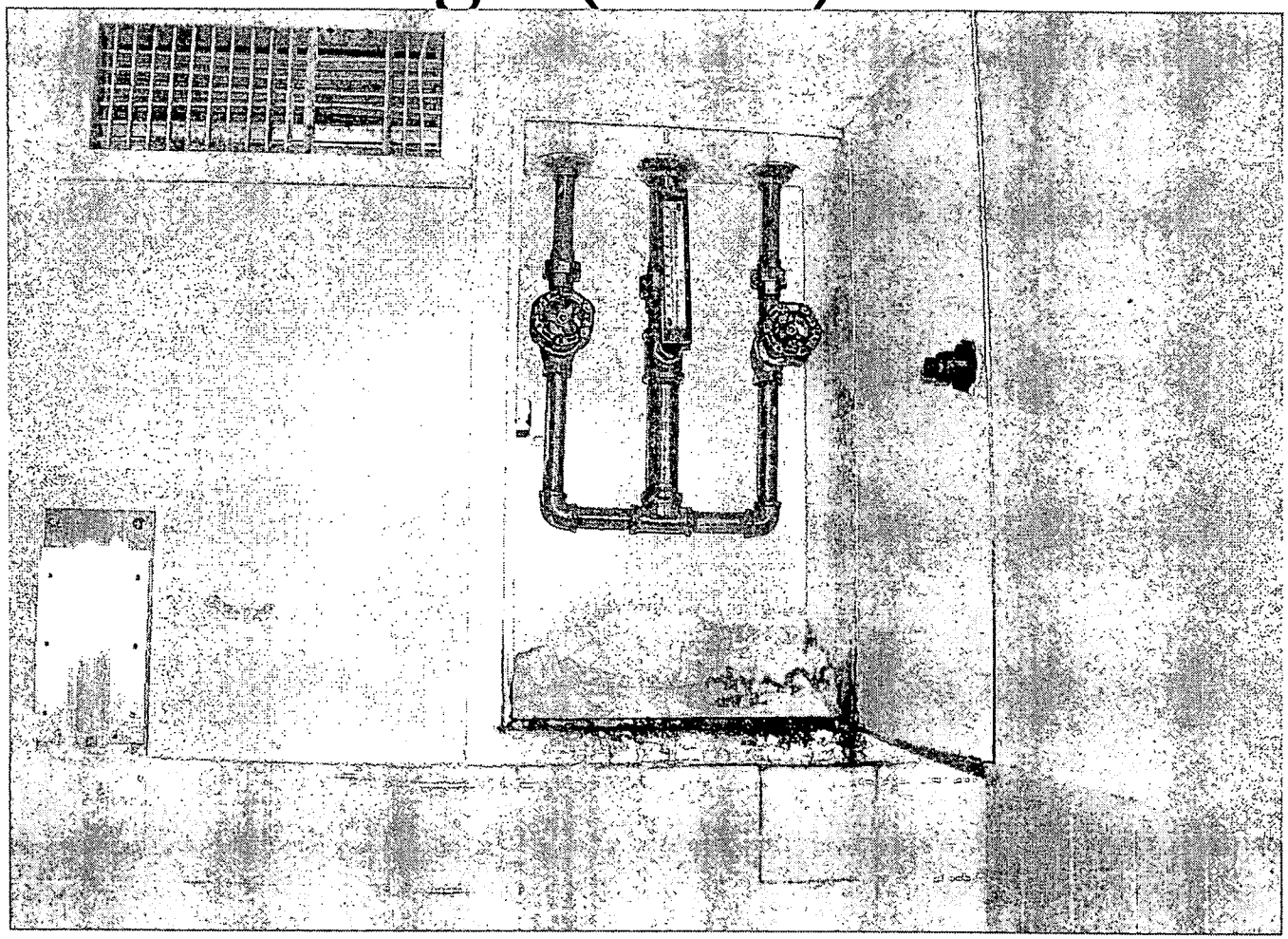
Patient Sleeping area at Broughton Hospital

Outdated Design (cont.)



Patient Lavatory at Broughton Hospital

Outdated Design (cont.)



Plumbing in Patient Area at Broughton Hospital is antiquated and presents hanging hazards

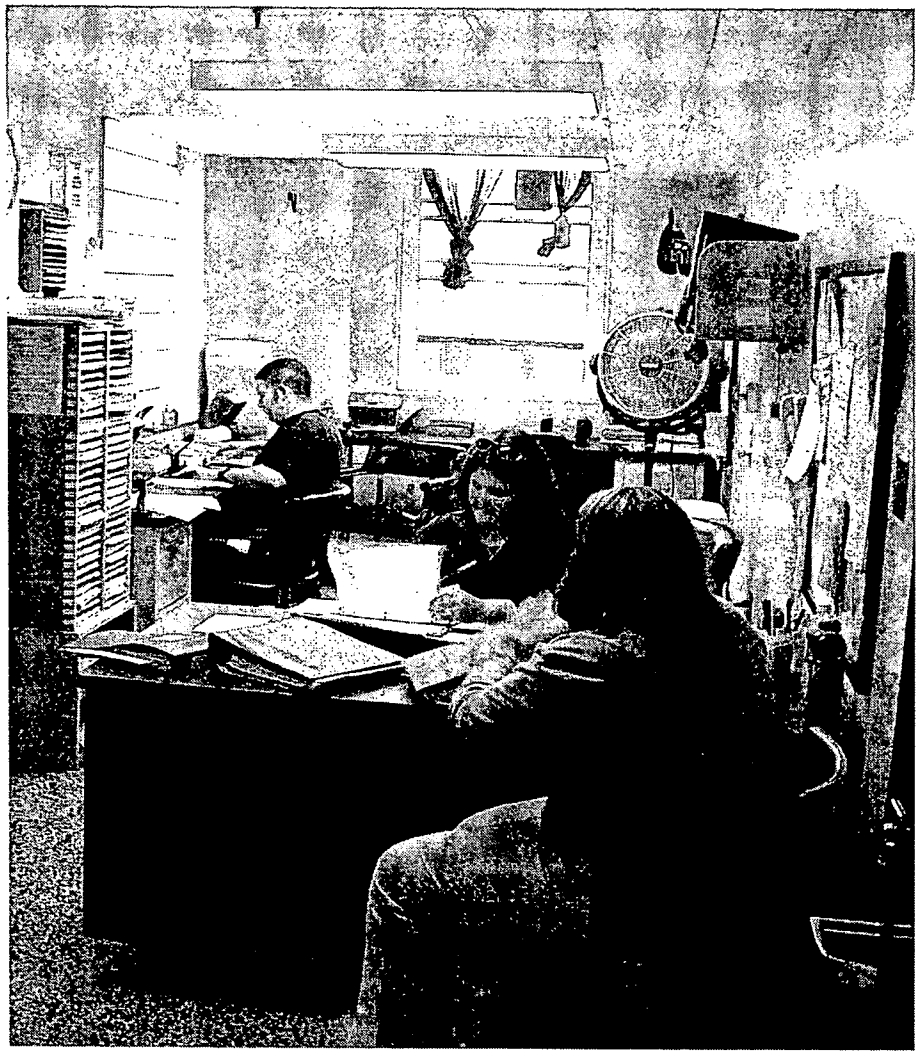
Space and Staffing Inefficiencies

- The layout of the older buildings do not support current staffing requirements and best practices in mental health treatment:
  - Poorly placed nursing stations do not allow for adequate patient monitoring requiring more staff to ensure patient safety rather than engage in direct patient treatment.
  - Space is inadequate for routine staff activities that support direct patient care and treatment.
  - Inadequate space limits the size and location of treatment malls (rehabilitation groups that provide active treatment).

Space and Staffing Inefficiencies (cont.)

Typical Staff Meeting in an Overcrowded Nurses Station at Cherry Hospital

Space and Staff Inefficiencies (cont.)

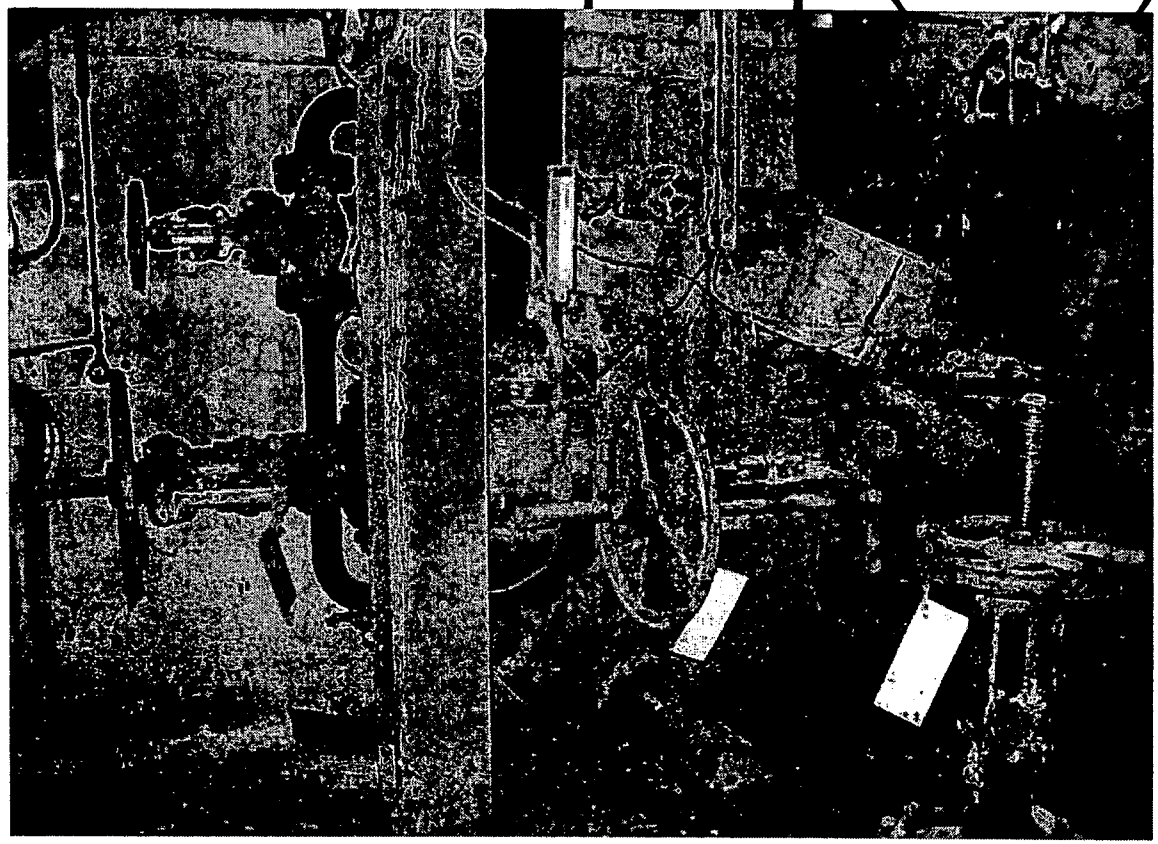


Nurses Station at Broughton Hospital

Maintenance and Upkeep

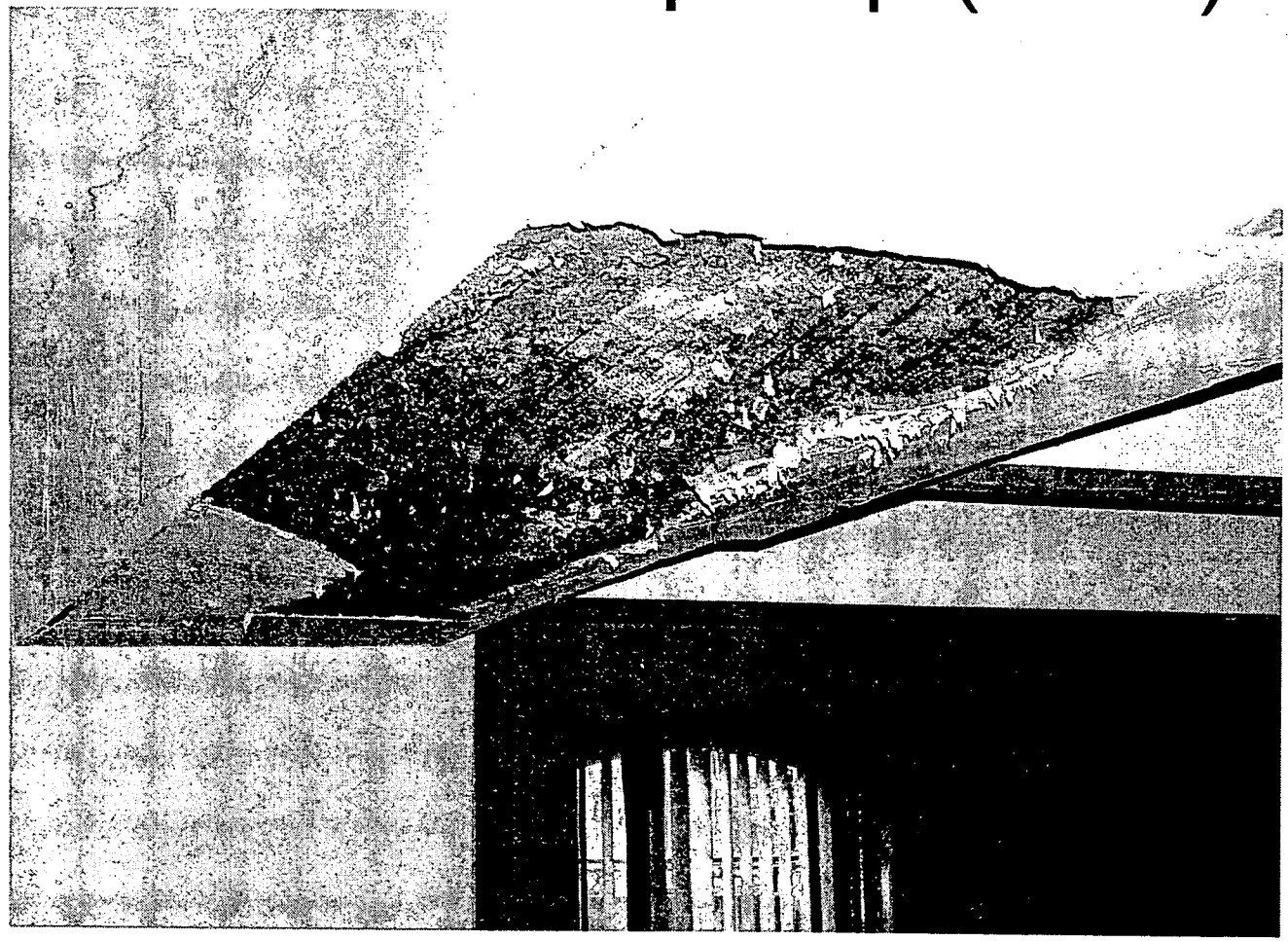
- Due to the age and current condition of the buildings, both hospitals need significant repairs and renovations to address serious infrastructure and life safety issues.
- Over $50 million in immediate critical repair and renovation construction is needed.
- It is estimated that the cost for more extensive R&R at both hospitals will approach the cost of totally new replacement hospitals.

Maintenance and Upkeep (cont.)



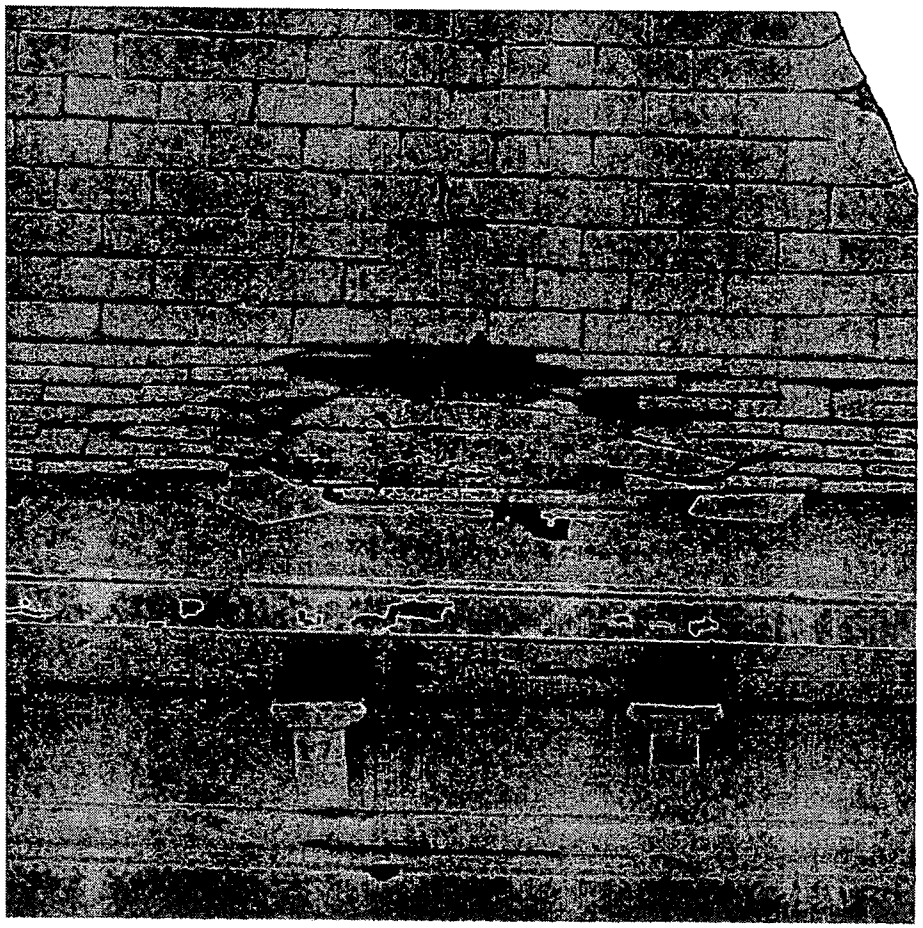
The stream distribution facilities at both hospitals are antiquated, resulting in highly inefficient use of energy and nearly constant maintenance. Above, the current operational steam plant valves for heating buildings on Cherry and O'Berry Campuses.

Maintenance and Upkeep (cont.)



Damage from a steam leak at Broughton Hospital

Maintenance and Upkeep (cont.)



- The Avery Building at Broughton Hospital needs a new roof. Slate shingles have fallen off the roof causing a serious safety risk for patients, staff and visitors.

Replacement Hospitals

- DHHS and DMH/DD/SAS staff have worked with staff at Cherry and Broughton Hospitals to identify the necessary capacity for replacement hospitals.
- Preliminary schematic designs have been prepared.
- Proposed construction sites have been evaluated.

Replacement Hospitals (cont.)

- Replacement Hospital – Cherry
  - 304 inpatient beds
  - 374,300 square feet
  - Cost certified by State Const. Office: $145.4 million

- Replacement Hospital – Broughton
  - 382 inpatient beds
  - 419,300 square feet
  - Cost certified by State Const. Office: $162.7 million

Information Technology Costs

- Information technology at both Cherry and Broughton Hospitals is inadequate for current billing and clinical standards.
- Clinical/billing applications to be purchased for new Central Region Hospital will be leveraged to install state-of-the-art systems at new Cherry and Broughton Hospitals for somewhat reduced costs. Hardware costs will be the same.
- Cost: TBD

Equipment Costs

- Equipment needed for the new Cherry and Broughton Hospitals include such items as:
  - Medical equipment
  - Pharmacy equipment
  - Radiology and other laboratory equipment
  - Therapeutic recreation equipment
- Cost:
  - Cherry Hospital: $2,241,696
  - Broughton Hospital: $2,816,868

Furnishings Cost

- Furnishings for the new Cherry and Broughton Hospitals are projected to be:
  - Cherry Hospital: $3,095,632
  - Broughton Hospital: $3,889,906

Projected Operating Costs

- Although the new facilities are proposed to be somewhat larger than the "book" capacity of the existing hospitals, we believe that with more modern design and technology the operating costs of the new facilities will be comparable to the current operating cost, including inflationary increases that will occur during the 3.5 year construction timeframe.

Replacement Facilities for Cherry and Broughton Hospitals

- Replacement of Cherry and Broughton Hospitals with modern, well-designed, single structure facilities will eliminate the identified shortcomings and ensure state of the art psychiatric treatment for patients and a safe environment for patients and staff, while making the most efficient use of personnel and physical resources.

VISITOR REGISTRATION SHEET

Appropriations Joint Committee on Health & Human Services May 16, 2006
Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Mary Bethel	AARP- NC
Mary Edwards	DAAS
Mike/Jennike	DMH DDSAS
Martha Jo McConnell	Carolinas Healthcare System
Jonah Saharyniack	NC Council
Vincent Stephens	CMS
George Cooper	NCACA
Susan Politis	Carolina Legal Assistance
Joseph Coletti	John Locke Foundation
Josie Douglas	NCAD/Foundation 2001
Barbara Carsley	BSCBS

Attachment IV

Critical Preparedness Infrastructure

New State PH Laboratory
and OCME Facility Report
to
Joint Appropriations Committee

May 16, 2006

Key Role for SLPH: PREPAREDNESS

- Since 2001, serves as the NC lead laboratory for National Laboratory Response Network (LRN) for CDC
- Conduct Bioterrorism testing-anthrax crisis, ricin, postal service testing, white powder testing
- Conducts Chemical terrorism testing
- High level containment laboratory (BSL-3)

Key Role for the Medical Examiner: PREPAREDNESS

- Autopsy Confirmation
- Toxicology
- Mass Casualties
- Federal Team Support Logistics
- Law Enforcement

Governor's Budget Recommendation

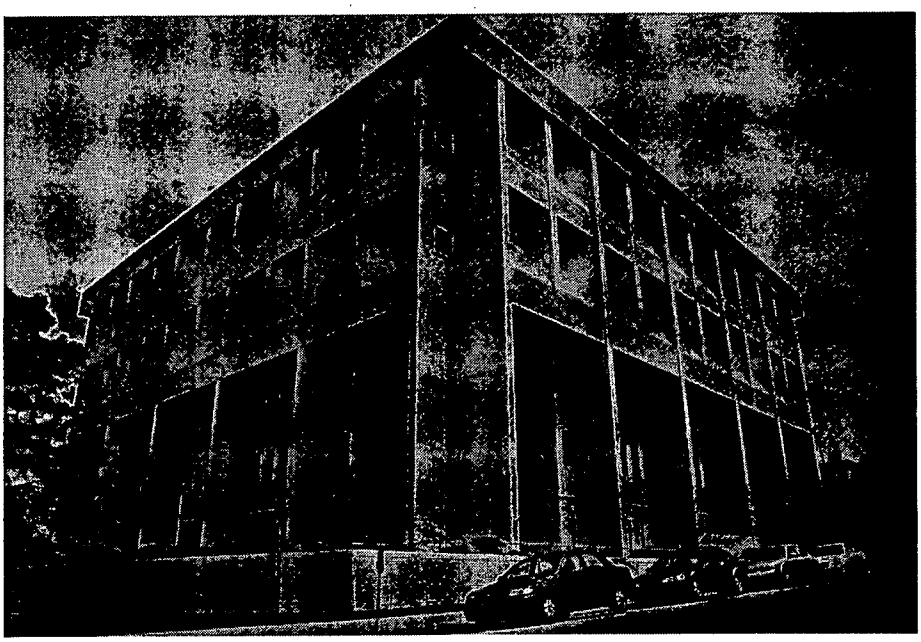
- Pursue design and construction of a new co-located SLPH and OCME facility to replace aging and inadequate facilities.
- $101,000,000
- Based on Updated Feasibility Study 2004

Letter of Support

- Carmen Hooker Odom, Secretary - NC Dept. of Health and Human Services
- Bryan Beatty, Secretary - NC Dept. of Crime Control and Public Safety
- Steve Troxler, Commissioner - NC Dept. of Agriculture and Consumer Services
- Warwick Arden, Dean - NCSU College of Veterinary Medicine

NC State Lab of Public Health

- Bath Building – designed/built early 70's
- Occupied – 1973, included much of DPH
- 75% of Lab work manual; approx. 28% of current workload (1.6 M exams)
- Renovated 1988-89; approx. 95,000 sq.ft.
- Current HVAC inadequate-must keep labs neg. pressure to halls; electrical power unstable and completely inadequate; lack of building security (perimeter)



State Lab Services

- Cancer Cytology (Pap tests)
- Microbiology (identifies pathogenic bacteria, viruses, parasites, foodborne pathogens)
- Newborn Screening/Clinical Chemistry
- Virology/Serology (including rabies)
- Environmental Sciences (includes drinking water testing; environmental contaminants)
- Laboratory Improvement (provides continuing education for labs across the state)

Materials handled by State Lab

Hazardous biological materials that often contain pathogens such as viruses, bacteria, fungi:

- Fecal and urine samples
- Tissue samples
- Blood samples
- Animal heads (rabies); insects & birds (arboviruses)

Hazardous chemicals

Low-level radioactive materials

Suspected bioterrorism samples (e.g., anthrax)

NC SLPH

- 1,000,000 specimens/samples received each year
- Over 6,000,000 test results generated each year
- Train over 2000 laboratorians/HCP each year

Office of Chief Medical Examiner

- Facility built in early 1970's
- Space inadequate – autopsy, morgue, laboratory
- Parking for transport vehicles inadequate
- Access to building inadequate
- Cannot support Mass Fatality situation

Office of the Chief Medical Examiner (continued)

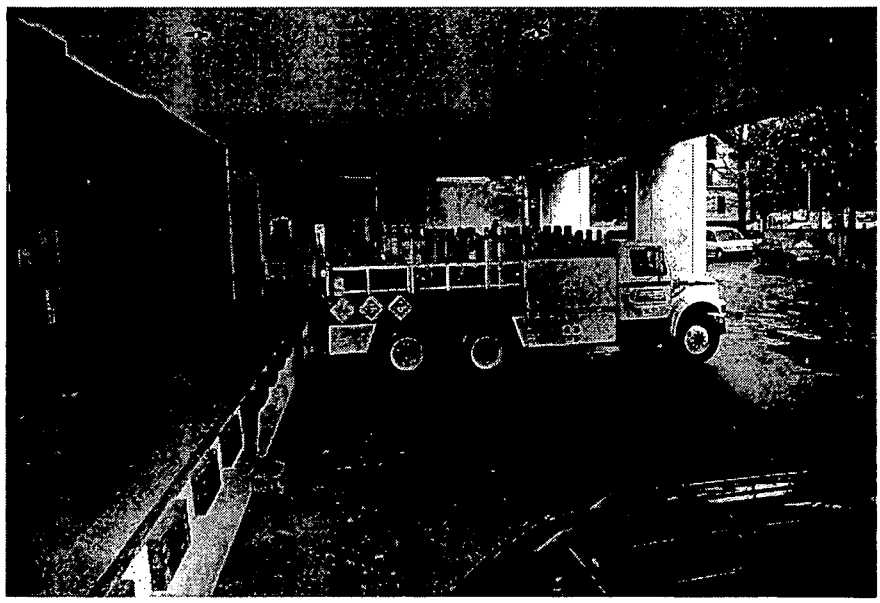
- 1500 autopsies/year – tripled since 1972
- Toxicology tests have doubled since 1999 (quadrupled since 1972) – conduct for all Mes
- Space for Forensic records at capacity

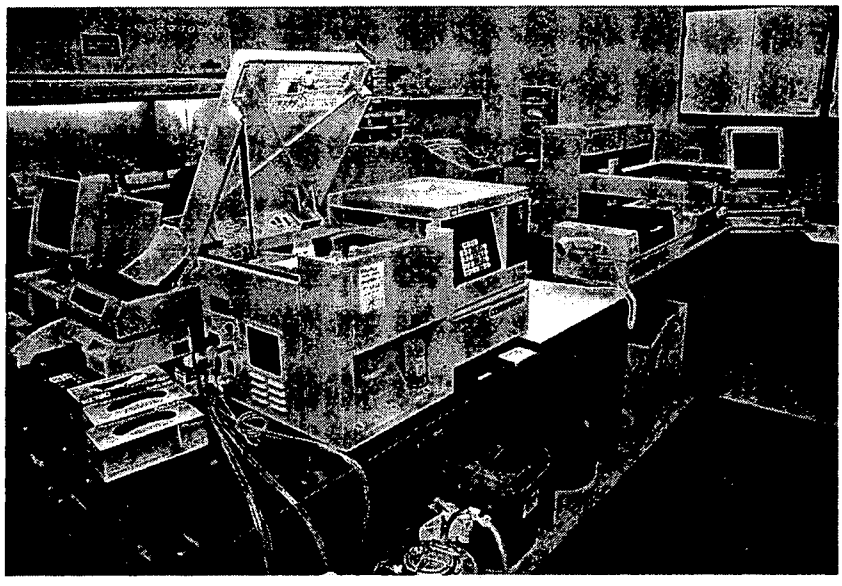
Limitations of today's State Public Health Lab

- *Security*
- *Physical space*
- *Safety issues*
- *Electrical power*
- *Ventilation*
- *Efficiency*

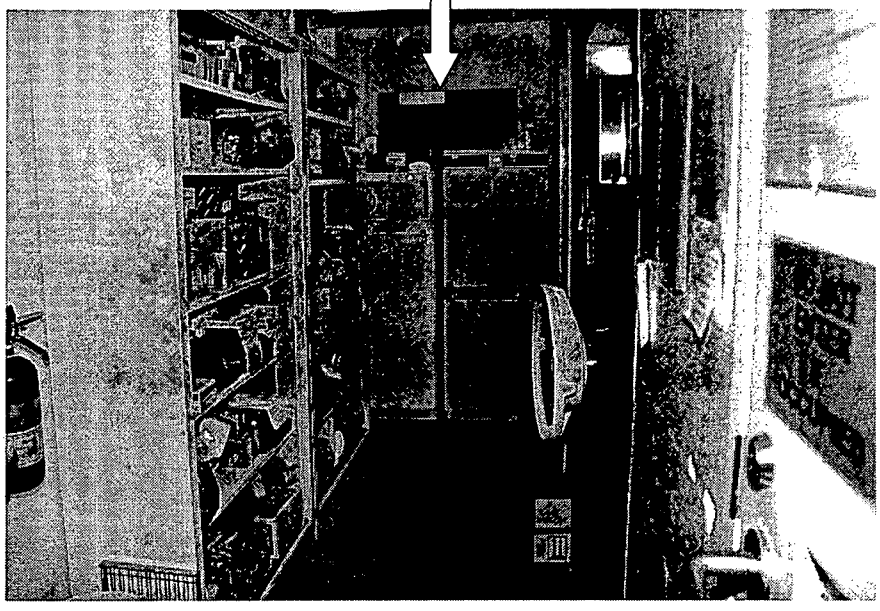
Security

- The loading dock area under building is open; access is not controlled or limited—anyone can drive anything under the building.
- There is no controlled perimeter around the building and no security gate or controlled access.
- Movement through the building of materials/samples

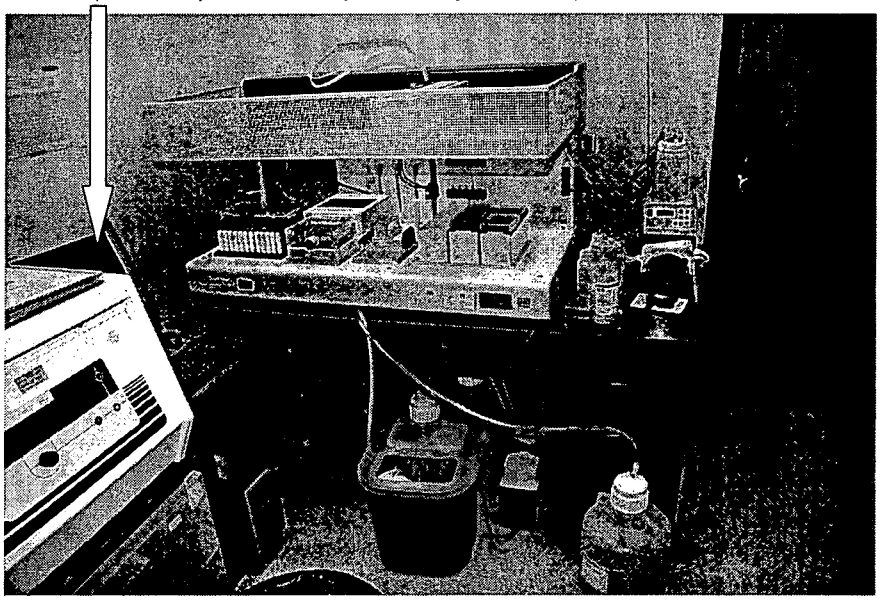




Refrigerators now block this doorway.



(Note the personal computer wedged in here)



Safety issues

- Labs lack windows to observe workers
- Emergency exiting is hazardous: convoluted floor plan; poor emergency lighting.
- Tight work areas, maze of small rooms, and narrow hallways crowded with supplies and equipment pose safety concerns.

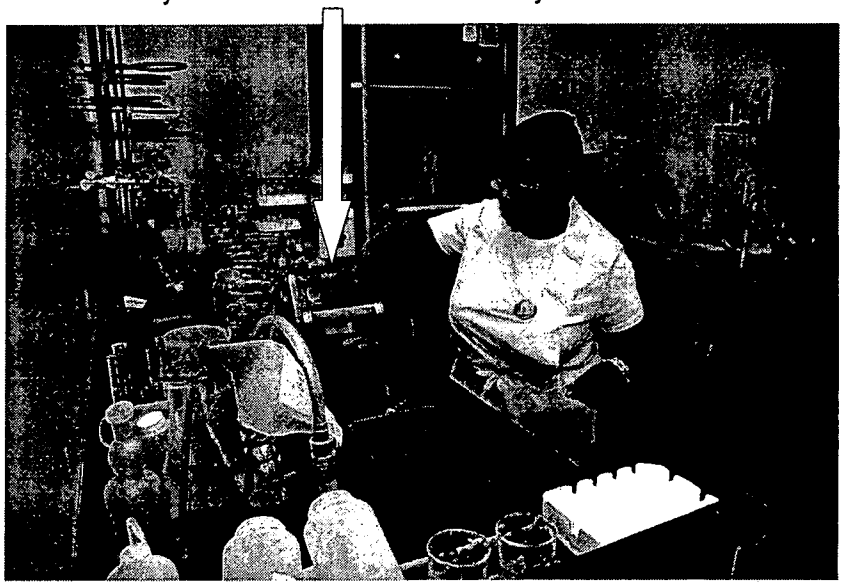
Safety issues, cont.

- Maze-like halls and strung-together rooms make emergency exits and equipment (including fire extinguishers) hard to spot.
- There are few easily accessed up-to-date eyewash stations or emergency showers in case of chemical or biohazard spills/splashes on lab workers.
- Elevators are unreliable.

Electrical power problems

- Electricity is insufficient and unreliable (power outages, surges, brownouts).
- Wiring is inadequate to support power needs.
- Emergency backup power sources are inadequate.
- Lighting is poor in most work areas.

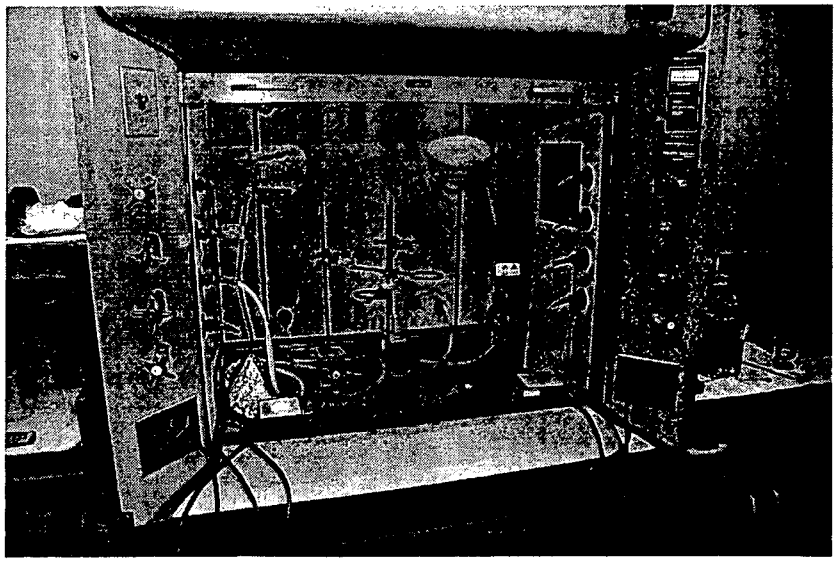
Stinky stuff! Cooker emits ammonium hydroxide fumes.



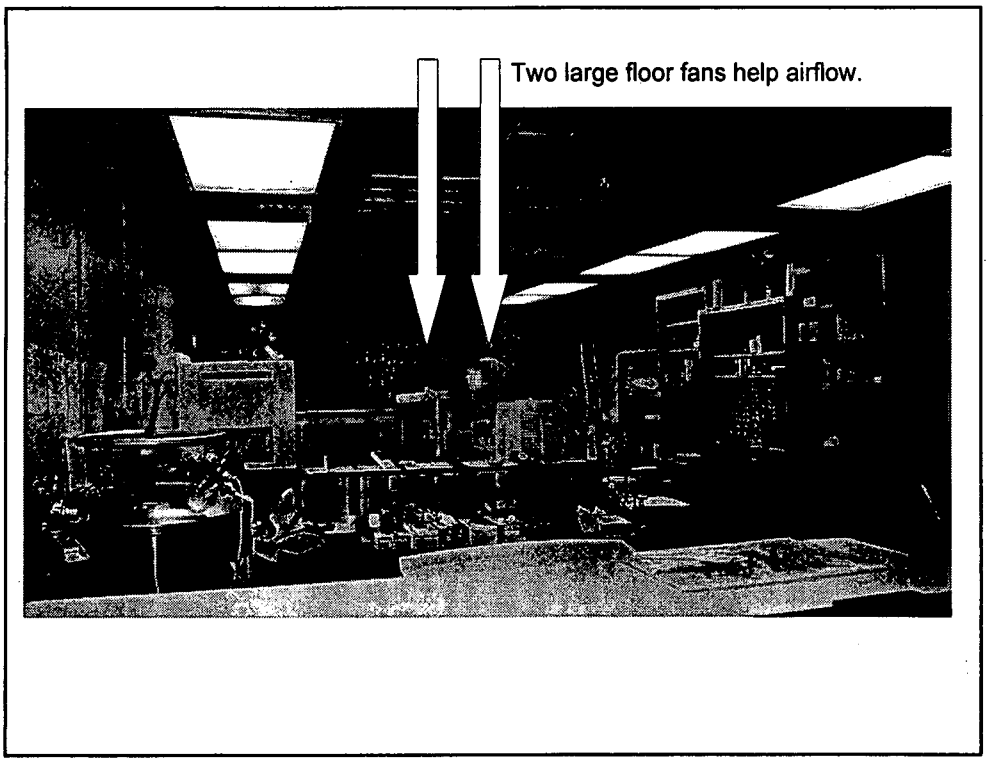
Electrical power is insufficient to run all needed exhaust hoods and cookers at the same time.

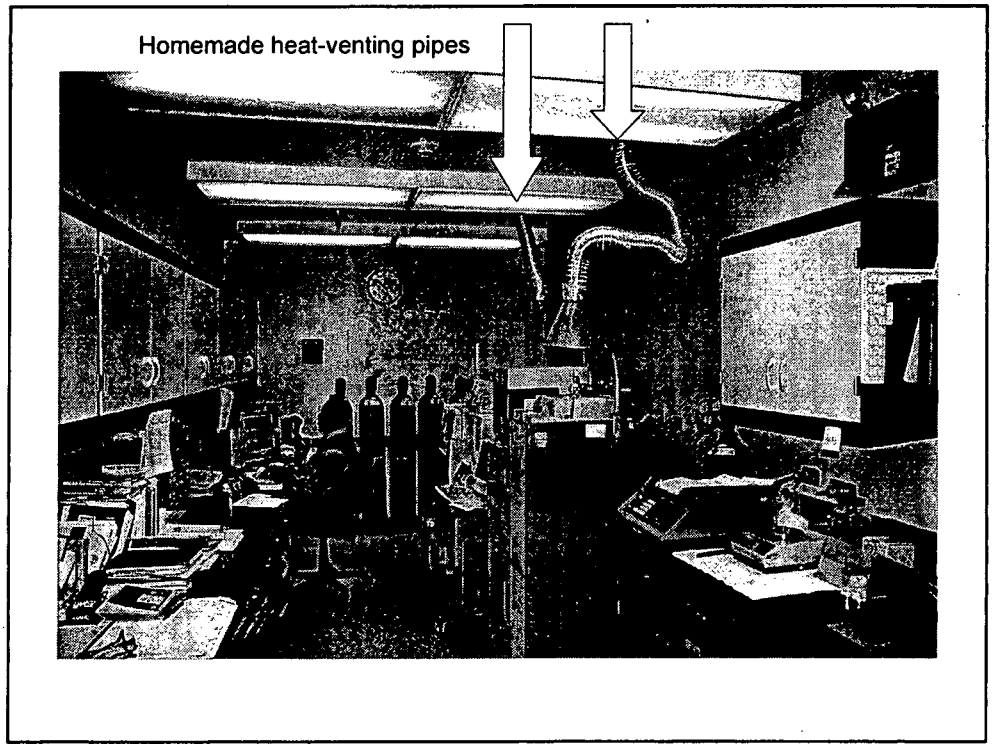
Ventilation limitations

- Climate control system cannot maintain appropriate temperatures for high-tech equipment.
- Air-handling controls are inadequate. Many lab rooms cannot maintain negative air pressure relative to halls—a potential safety hazard (air should flow from halls into labs, not from labs into halls).



30- and 40-year old hoods and their controls are corroded from chemical exposures; features and capacity are inadequate for current workload.


Two large floor fans help airflow.


Homemade heat-venting pipes

Efficiency

- Testing procedures must be spread out over several rooms, as spaces are too small for the necessary equipment, supplies and staff.
- Support staff for labs are located on different floors.
- Power supplies are not sufficient to run all needed equipment at the same time.

New PH Labs Constructed

Labs constructed in the past 8 years:

- **Colorado** (1997)
- **Alaska** (2000)
- **Georgia (**2000)
- **California** (2003)
- **Virginia** (2003)
- **Texas** (2003)
- **Arizona** (2004)

New PH Labs in the Works

- **Ohio;**
- **Arkansas** – broke ground 2004;
- **Minnesota**- broke ground 2004;
- **Missouri** (estimated completion, Fall 2006);
- **Oregon (**2006**);**
- **Indiana** (estimated completion, November 2006);
- **Illinois-** central lab addition (Springfield);
- **Florida** – Jacksonville;
- **Connecticut** - 2009;
- **New Mexico;**
- **Georgia** (Branch lab in Waycross)

New PH Labs Under Discussion

- **New Jersey**
- **Iowa**
- **North Carolina**
- **Mississippi**
- **Louisiana (before and now after Katrina)**

New SLPH/OCME facility

- Feasibility study
  - (Paid with CDC BT Grant funds)
- RFP-2003; CUH2A selected (vast experience with other SLPH designs/constructions)
- On-site study - April-July, 2004
- Approx. 127,000 sq. ft. for SLPH's existing and proposed needs; includes OCME

NC Preparedness and Response Critical Infrastructure

Public Health Lab

Medical Examiners Office

Questions?

VISITOR REGISTRATION SHEET

Appropriations Joint Committee on Health & Human Services May 16, 2006
Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Lauren Eckhardt	Speaker Black's Office
Tom Bennett	NCARF
Lattie Baker	ADCMC
Robin Huffman	NC Psychiatric Asso / Coalition 2001
Sally Cameron	NC Psychological Assoc / C 2001
Charlene Carey	N C. Right to Life
Jennifer Whitesides	Prevent Child Abuse NC
Evelyn Hawthorne	EHGR
Jack Nichols	Earth Seal UCP
Bob Edwards	NCPE
Jennifer Mahan	MHANC & Coalition 2001

VISITOR REGISTRATION SHEET

APPROPRIATIONS / Health and Human Services — May 16, 2006

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Kellie Brakman	The Arc of Wake County 1300 St. Mary's St, Suite 200 Raleigh, NC 27605
Pam Kilpatrick	OSBM
Lou Turner	DPH
Terry Hatcher	NCDHHS
Jim LORA	OSBM
Jennifer WIMMER	OSBM
ADAM BRUEGGEMANN	OSBM
Janice Freedman	NC Healthy Start Foundation
Ryan Presley	Rep. Rick Glazier
	TC Hire
	NAMI NC

VISITOR REGISTRATION SHEET

Appropriations Joint Committee on Health & Human Services May 16, 2006

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Karen Carpenter	TCB

VISITOR REGISTRATION SHEET

APPROPRIATIONS / Health and Human Services — May 16, 2006

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Kaye Holden	Budget & Analysis / DHHS
Lori Ann Harris	LAHA
Jennie New	Kennedy Covington
Colleen Kochanek	Smith Moore

AGENDA

Senate Appropriations Committee on Health and Human Services

Legislative Office Building – Room 643
Tuesday, May 23, 2006

8:30 AM

Committee Chairmen	*Senator William Purcell, Co-Chair* *Senator Vernon Malone, Co-Chair*
I. Opening Remarks	*Committee Chairmen*
II. Subcommittee Budget Proposal • Money Report • Special Provisions	*FRD Staff*
III. Committee Discussion	

SENATE APPROPRIATIONS SUBCOMMITTEE ON HEALTH AND HUMAN SERVICES

Tuesday, May 23, 2006
8:30 A.M.
Room 643, Legislative Office Building

The Senate Appropriations Subcommittee on Health and Human Services met at 8:30 A.M. in Room 643 of the Legislative Office Building. Senate members present were: Co-Chair William R. Purcell, Co-Chair Vernon Malone, and Senators Berger, Blake, Dannelly, East, Forrester, and Kerr. Senator Malone chaired the meeting and began by introducing the pages and sergeants-at-arms.

The Fiscal Research Staff presented the budget (Attachment I), the "money report", (Attachment II), and the block grants (Attachment III). Ms. Carol Shaw pointed out that the reason this last section is so long is that it needed to be redone because of so many changes over the past few years. The redone parts are underlined, so that the changes or rearrangements can be identified. Ms. Jennifer Hoffman referred the members to page 157, Section 27.1, entitled Hospital and Museum Special Indebtedness in the budget bill, to an item related to the Subcommittee. This provision includes authorization for the issuance of special indebtedness in fiscal year 2006-2007 for the three projects listed. Senator Forrester said he felt that suicide should be included in the list of health disparities. He commented that mandatory services were listed and asked about the optional services. Ms. Shaw said that the optional services had inadvertently not been included, and that a technical amendment would be offered to correct this.

Senator Kerr was recognized for a question regarding well testing fees. Ms. Andrea Russo explained that the State Laboratory is responsible for the well testing and at this point the fee is expected to be about $55.00. Senator Forrester asked if the testing would be only for coliform bacteria and would not include testing for mercury, hydrocarbons, etc. Ms. Russo responded that she was not sure what this testing would include.

Senator Forrester asked about providing Medicaid services to children ages 18, 19, and 20. Ms. Shaw stated that North Carolina provides this as an optional service, that the State is not required to do this.

Senator Malone expressed sincere appreciation for the staff's hard work and long hours needed to provide information to the Committee. The meeting was adjourned at 9:42 A.M.

Senator Vernon Malone, Co-Chair

Lorraine R. Blake, Committee Clerk

Attachment I

HEALTH
&
HUMAN SERVICES
Section G

Health and Human Services

GENERAL FUND

	FY 06-07
Total Budget Approved 2005 Session	**$4,264,940,128**

Budget Changes

(1.0) Division of Medical Assistance

1 Revised Medicaid Forecast ($150,000,000) R

Reduces state appropriations for the Medicaid program based upon a revised forecast.

2 Ticket-To-Work Date Change ($150,000) R

Reduces funding for the Ticket-To-Work Program for FY 2006-07 because the implementation date has been changed to July 1, 2007.

3 Health Care Access Study $200,000 NR

Provides funding to support the development of a plan to expand health care access for uninsured North Carolinians through the use of public/private partnerships, federal flexibility and resources, and promotion of charity care by health care providers.

4 Provider Rate Study $100,000 NR

Provides funding to contract with independent consultants and financial experts to assist the Division in developing a proposal for an equitable standard to provide inflationary increases and other cost related increases to service providers in the Medicaid program.

(3.0) Division of Public Health

5 Eye Exams ($2,000,000) R

Eliminates funding for the Governor's Vision Care Program.

6 Early Intervention $7,103,147 R

Provides funding to expand the capacity of the Early Intervention program for children ages birth to three in response to the increase in the number of children referred for services. 197.00

7 School Nurse Funding $4,500,000 R

Provides recurring funding to support 65 school nurse positions previously supported on a time-limited basis by federal block grants. Also, provides funds to support an additional 25 new school nurse positions.

8 Universal Vaccine Program $6,526,095 R

Provides funding to expand coverage of the influenza and pertussis vaccines to all children ages two through five.

9 Health Disparities Initiative — $100,000 R; $1,900,000 NR; 1.00

Provides non-recurring funding for grants-in-aid awarded through the Community-Focused Eliminating Health Disparities Initiative (CFEHDI). Also, provides recurring funds to support one position to manage the program.

10 Dental Preventive Services — $390,000 NR

Provides funding for the fluoride mouth rinse program (FMR) targeted at schools with a high proportion of low income children who are high-risk for tooth decay.

11 Prevention of Pre-term Births — $150,000 NR

Provides funding to provide education to women on the benefits of progesterone for those who have had preterm births and to purchase medication for eligible minority and low-income women.

12 Antiviral Purchase for Pandemic Flu — $190,000 NR

Provides funding for the state match for federal funds to purchase and store 10,000 courses of influenza antiviral medication for the state's first responders.

13 Private Well Water Safety Program — $226,000 NR; 3.00

Provides funding for equipment and supplies required to test the anticipated additional private well water samples due to increased enforcement of well construction standards. Authorizes three positions to be supported through fee receipts.

(4.0) Division of Mental Health, Developmental Disabilities, and Substance Abuse Services

14 ADATC — $5,191,815 R; 159.00

Provides funding for personnel and operating support associated with the expansion of acute units at each of the State's three alcohol drug abuse treatment centers (ADATC).

15 Developmental Therapies for DD — $29,435,119 R

Provides funding for a state-funded service to replace services lost due to changes in federal policy and cuts in federal support.

16 Mental Health Services — $8,000,000 R

Provides funding for mental health services to be distributed to the Lead Management Entities (LMEs) such that each LME receives a percentage of the total allocation that is equal to that LME's percentage of the State's total population below the poverty level.

17 Substance Abuse Services — $8,000,000 R

Provides funding for substance abuse services to be distributed to the LMEs such that each LME receives a percentage of the total allocation that is equal to that LME's percentage of the State's total population below the poverty level.

18 Housing Trust Fund - 400 Apartment Housing Initiative

Provides $11,250,000 in non-recurring funding to the North Carolina Housing Trust Fund for a 400 independent- and supportive-living apartment initiative recommended by the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services. These funds are for the financing of the portion of the 400 apartments not able to be financed within the existing means of the North Carolina Housing Finance Agency. Operating assistance for the 400 apartments will be provided from the funds in the next item. The apartments shall be for individuals with disabilities and shall be affordable to those with incomes at the Supplemental Security Income (SSI) level.

The funds for this item are located in the Housing Finance Agency section of this report.

19 Operating Cost Subsidy - 400 Apartment Initiative $1,205,000 R

Provides recurring operating cost subsidy for 400 independent- and supportive-living apartments for individuals with disabilities financed by the North Carolina Housing Finance Agency as described in the previous item. The apartments shall be affordable to those with incomes at the Supplemental Security Income (SSI) level.

20 Supportive Services for HUD 811 Projects $713,000 R
$370,000 NR

Provides funding for on-going operations and start-up expenses to support 12 group home beds and 93 apartments financed through the United States Department of Housing and Urban Development.

21 Mental Health Trust Fund

Provides $5,000,000 non-recurring for the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs to be used in accordance with G.S. 143-15.3D. In addition to this direct appropriation from the General Fund, a portion of the excise tax on alcohol will be redirected from the General Fund to the Trust Fund on a permanent basis. A total of $9.39 million is anticipated to be deposited in the Trust Fund from the alcohol excise tax for the 2006-07 fiscal year.

The funds for this item are located in the Statewide Reserves section of this report.

22 Funding to The North Carolina AHEC Program for Psychiatrist Recruitment

Provides $1,000,000 to the North Carolina Area Health Education Centers Program to recruit psychiatrists to rural and underserved areas to provide community services. The program may include student loan repayment.

The funds for this item are located in the UNC System section of this report.

23 Start-Up Funding for Crisis Services — $5,250,000 NR

Provides funding for start-up costs for crisis services to be used by LMEs to establish a continuum of regional crisis facilities and local crisis services for persons with mental illness, developmental disabilities, and substance abuse addictions.

24 State Service Dollars for Crisis Services — $9,000,000 R

Provides funding for crisis services to be allocated to LMEs on a per capita basis. LMEs may use these funds to pay for mental health, developmental disabilities, or substance abuse crisis services provided to non-Medicaid eligible adults and children who are indigent and have no other third-party payment source.

25 Per Capita Funding for Psychiatrist Access — $9,000,000 R

Provides funding to be allocated to the LMEs on a per capita basis to ensure access to core psychiatrist services.

26 Consultants to Aid the Division and LMEs — $1,125,000 NR

Provides funding for consultants to aid the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services and the LMEs with planning for crisis services, strategic planning, developing performance indicators, standardization, and capacity-building.

27 Strategic LME Team — $300,000 R

3.00

Provides funding to be used for three positions to create a Local Management Entity (LME) Strategic Assistance Team. The Team shall assist LMEs develop, implement, and maintaining their statutory responsibilities.

(7.0) Divisions of Services for the Blind and Services for the Deaf and Hard of Hearing

28 Accessible Electronic Information for Blind and Disabled Persons — $75,000 NR

Provides funding to continue accessible electronic information services for blind and disabled persons.

(8.0) Division of Child Development

29 Child Care Subsidy — $20,000,000 R

Provides funding to maintain existing caseload, implement 25% of the 2005 market rates for 3 to 5 star facilities, and remove children from the waiting list.

30 Smart Start — $14,000,000 R

Provides funding for local Smart Start initiatives, including subsidized child care.

31 Improve Regulatory Oversight — $453,222 R; $12,291 NR

10.00

Provides funding to create 10 positions in the Division of Child Development's Licensing Unit. Additional staff will reduce caseloads and allow for more frequent monitoring visits.

32 T.E.A.C.H. Program $1,000,000 NR

Provides funding to the North Carolina T.E.A.C.H. Early Childhood® Project.

(9.0) Division of Education Services

33 Early Intervention Teachers for the Deaf and Hard of Hearing $293,493 R

Provides funding to create eight additional teaching positions in the Early Intervention Program for Children who are Deaf or Hard of Hearing Program. 8.00

34 Early Intervention Teachers for the Blind and Visually Impaired $233,533 R

Provides funding for five additional teaching positions and one Orientation and Mobility Specialist at the Governor Morehead School for the Blind's Preschool. 6.00

35 Language Interpreters $121,771 R

Provides funding to create one language interpreter position at the North Carolina School for the Deaf in Morganton, one language interpreter position at the Governor Morehead School in Raleigh, and two language interpreter positions in the Early Intervention Program for Deaf and Hard of Hearing. 4.00

36 Dormitory Supervisors at North Carolina School for the Deaf in Morganton $39,730 R

Provides funding to create two additional Residential Life Attendants for the North Carolina School for the Deaf in Morganton. 2.00

37 Housekeeper at North Carolina School for the Deaf in Morganton $20,358 R

Provides funding to create one additional housekeeping staff at the North Carolina School for the Deaf in Morganton's. 1.00

38 Behavior Specialists for Eastern North Carolina School for the Deaf $45,663 R

Provides funding for two additional Behavior Programming Technicians at the Eastern North Carolina School for the Deaf for the Positive Behavior Support Program. 2.00

39 Telemedicine for Children in Residential Schools $24,000 R

Provides funding to implement telemedicine programs at the Western North Carolina School for the Deaf in Morganton and the Governor Morehead School for the Blind in Raleigh. $50,000 NR

(10.0) Division of Social Services

40 Foster Care and Adoption Assistance Payments $10,206,898 R

Provides funding to support the increased cost of the Foster Care and Adoption Assistance Programs.

41 Federal Budget Impact on Foster Care Services $2,040,755 R

Provides funding to support the projected cost of additional foster care maintenance payments to be made to people caring for their relatives' children who choose to become licensed.

42 Paternity Testing for Child Support Enforcement — $151,500 R

Provides funding to support the loss of federal funds for paternity testing expenses.

43 Food Banks — $400,000 NR

Provides funding to be equally distributed to the regional network of food banks in North Carolina.

(11.0) Division of Aging and Adult Services

44 Home and Community Care Block Grant — $3,000,000 R

Provides funding for the Home and Community Care Block Grant Program.

(12.0) Office of the Secretary

45 Transfer More At Four Program to DPI — ($66,646,653) R

Transfers funding for the More At Four program to the Department of Public Instruction.

46 Utility and Fuel Cost Reserve — $1,271,533 NR

Provides funding to support the increased cost of utility services and fuel for state institutions operated by the Department of Health and Human Services.

47 MMIS Implementation

Transfers funding from the G.S 1423-23.2 reserve to continue to fund the state share of implementing the new Medicaid Management System (MMIS).

Total Requirements	$5,004,504
Transfer From Medicaid Reserve Fund	($5,004,504)
State Appropriation	0

48 Public Awareness of Safe Surrender of Infants Campaign — $100,000 NR

Provides funding to inform the public of the Safe Surrender Act (S.L.2001-291).

Budget Changes	**($79,091,554)**	R
	$12,809,824	NR
Total Position Changes	396.00	
Revised Total Budget	**$4,198,658,398**	

Attachment II

Senate
Appropriations Subcommittee
on
Health and Human Services

May 23, 2006

Health and Human Services

GENERAL FUND

Total Budget Approved 2005 Session	**FY 06-07** **$4,264,940,128**

Budget Changes

(1.0) Division of Medical Assistance

1 Revised Medicaid Forecast Reduces state appropriations for the Medicaid program based upon a revised forecast.	($150,000,000)	R
2 Ticket-To-Work Date Change Reduces funding for the Ticket-To-Work Program for FY 2006-07 because the implementation date has been changed to July 1, 2007.	($150,000)	R
3 Health Care Access Study Provides funding to support the development of a plan to expand health care access for uninsured North Carolinians through the use of public/private partnerships, federal flexibility and resources, and promotion of charity care by health care providers.	$200,000	NR
4 Provider Rate Study Provides funding to contract with independent consultants and financial experts to assist the Division in developing a proposal for an equitable standard to provide inflationary increases and other cost related increases to service providers in the Medicaid program.	$100,000	NR

(3.0) Division of Public Health

5 Eye Exams Eliminates funding for the Governor's Vision Care Program.	($2,000,000)	R
6 Early Intervention Provides funding to expand the capacity of the Early Intervention program for children ages birth to three in response to the increase in the number of children referred for services.	$7,103,147 197.00	R
7 School Nurse Funding Provides recurring funding to support 65 school nurse positions previously supported on a time-limited basis by federal block grants. Also, provides funds to support an additional 25 new school nurse positions.	$4,500,000	R
8 Universal Vaccine Program Provides funding to expand coverage of the influenza and pertussis vaccines to all children ages two through five.	$6,526,095	R

9 Health Disparities Initiative

Provides non-recurring funding for grants-in-aid awarded through the Community-Focused Eliminating Health Disparities Initiative (CFEHDI). Also, provides recurring funds to support one position to manage the program.

$100,000 R
$1,900,000 NR
1.00

10 Dental Preventive Services

Provides funding for the fluoride mouth rinse program (FMR) targeted at schools with a high proportion of low income children who are high-risk for tooth decay.

$390,000 NR

11 Prevention of Pre-term Births

Provides funding to provide education to women on the benefits of progesterone for those who have had preterm births and to purchase medication for eligible minority and low-income women.

$150,000 NR

12 Antiviral Purchase for Pandemic Flu

Provides funding for the state match for federal funds to purchase and store 10,000 courses of influenza antiviral medication for the state's first responders.

$190,000 NR

13 Private Well Water Safety Program

Provides funding for equipment and supplies required to test the anticipated additional private well water samples due to increased enforcement of well construction standards. Authorizes three positions to be supported through fee receipts.

$226,000 NR
3.00

(4.0) Division of Mental Health, Developmental Disabilities, and Substance Abuse Services

14 ADATC

Provides funding for personnel and operating support associated with the expansion of acute units at each of the State's three alcohol drug abuse treatment centers (ADATC).

$5,191,815 R
159.00

15 Developmental Therapies for DD

Provides funding for a state-funded service to replace services lost due to changes in federal policy and cuts in federal support.

$29,435,119 R

16 Mental Health Services

Provides funding for mental health services to be distributed to the Lead Management Entities (LMEs) on a per capita basis.

$8,000,000 R

17 Substance Abuse Services

Provides funding for substance abuse services to be distributed to the LMEs on a per capita basis.

$8,000,000 R

18 Housing Trust Fund - 400 Apartment Housing Initiative

Provides $11,250,000 in non-recurring funding to the North Carolina Housing Trust Fund for a 400 independent- and supportive-living apartment initiative recommended by the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services. These funds are for the financing of the portion of the 400 apartments not able to be financed within the existing means of the North Carolina Housing Finance Agency. Operating assistance for the 400 apartments will be provided from the funds in the next item. The apartments shall be for individuals with disabilities and shall be affordable to those with incomes at the Supplemental Security Income (SSI) level.

The funds for this item are located in the Housing Finance Agency section of this report.

19 Operating Cost Subsidy - 400 Apartment Initiative $1,205,000 R

Provides recurring operating cost subsidy for 400 independent- and supportive-living apartments for individuals with disabilities financed by the North Carolina Housing Finance Agency as described in the previous item. The apartments shall be affordable to those with incomes at the Supplemental Security Income (SSI) level.

20 Supportive Services for HUD 811 Projects $713,000 R
$370,000 NR

Provides funding for on-going operations and start-up expenses to support 12 group home beds and 93 apartments financed through the United States Department of Housing and Urban Development.

21 Mental Health Trust Fund

Provides $5,000,000 non-recurring for the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs to be used in accordance with G.S. 143-15.3D. In addition to this direct appropriation from the General Fund, a portion of the excise tax on alcohol will be redirected from the General Fund to the Trust Fund on a permanent basis. A total of $9.39 million is anticipated to be deposited in the Trust Fund from the alcohol excise tax for the 2006-07 fiscal year.

The funds for this item are located in the Statewide Reserves section of this report.

22 Funding to The North Carolina AHEC Program for Psychiatrist Recruitment

Provides $1,000,000 to the North Carolina Area Health Education Centers Program to recruit psychiatrists to rural and underserved areas to provide community services. The program may include student loan repayment.

The funds for this item are located in the UNC System section of this report.

23 Start-Up Funding for Crisis Services — $5,250,000 NR

Provides funding for start-up costs for crisis services to be used by LMEs to establish a continuum of regional crisis facilities and local crisis services for persons with mental illness, developmental disabilities, and substance abuse addictions.

24 State Service Dollars for Crisis Services — $9,000,000 R

Provides funding for crisis services to be allocated to LMEs on a per capita basis. LMEs may use these funds to pay for mental health, developmental disabilities, or substance abuse crisis services provided to non-Medicaid eligible adults and children who are indigent and have no other third-party payment source.

25 Per Capita Funding for Psychiatrist Access — $9,000,000 R

Provides funding to be allocated to the LMEs on a per capita basis to ensure access to core psychiatrist services.

26 Consultants to Aid the Division and LMEs — $1,125,000 NR

Provides funding for consultants to aid the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services and the LMEs with planning for crisis services, strategic planning, developing performance indicators, standardization, and capacity-building.

27 Strategic LME Team — $300,000 R

Provides funding to be used for three positions to create a Local Management Entity (LME) Strategic Assistance Team. The Team shall assist LMEs develop, implement, and maintaining their statutory responsibilities. — 3.00

(7.0) Divisions of Services for the Blind and Services for the Deaf and Hard of Hearing

28 Accessible Electronic Information for Blind and Disabled Persons — $75,000 NR

Provides funding to continue accessible electronic information services for blind and disabled persons.

(8.0) Division of Child Development

29 Child Care Subsidy — $20,000,000 R

Provides funding to maintain existing caseload, implement 25% of the 2005 market rates for 3 to 5 star facilities, and remove children from the waiting list.

30 Smart Start — $14,000,000 R

Provides funding for local Smart Start initiatives, including subsidized child care.

31 Improve Regulatory Oversight — $453,222 R; $12,291 NR — 10.00

Provides funding to create 10 positions in the Division of Child Development's Licensing Unit. Additional staff will reduce caseloads and allow for more frequent monitoring visits.

32 T.E.A.C.H. Program $1,000,000 NR

Provides funding to the North Carolina T.E.A.C.H. Early Childhood® Project.

(9.0) Division of Education Services

33 Early Intervention Teachers for the Deaf and Hard of Hearing $293,493 R

Provides funding to create eight additional teaching positions in the Early Intervention Program for Children who are Deaf or Hard of Hearing Program. 8.00

34 Early Intervention Teachers for the Blind and Visually Impaired $233,533 R

Provides funding for five additional teaching positions and one Orientation and Mobility Specialist at the Governor Morehead School for the Blind's Preschool. 6.00

35 Language Interpreters $121,771 R

Provides funding to create one language interpreter position at the North Carolina School for the Deaf in Morganton, one language interpreter position at the Governor Morehead School in Raleigh, and two language interpreter positions in the Early Intervention Program for Deaf and Hard of Hearing. 4.00

36 Dormitory Supervisors at North Carolina School for the Deaf in Morganton $39,730 R

Provides funding to create two additional Residential Life Attendants for the North Carolina School for the Deaf in Morganton. 2.00

37 Housekeeper at North Carolina School for the Deaf in Morganton $20,358 R

Provides funding to create one additional housekeeping staff at the North Carolina School for the Deaf in Morganton's. 1.00

38 Behavior Specialists for Eastern North Carolina School for the Deaf $45,663 R

Provides funding for two additional Behavior Programming Technicians at the Eastern North Carolina School for the Deaf for the Positive Behavior Support Program. 2.00

39 Telemedicine for Children in Residential Schools $24,000 R
$50,000 NR

Provides funding to implement telemedicine programs at the Western North Carolina School for the Deaf in Morganton and the Governor Morehead School for the Blind in Raleigh.

(10.0) Division of Social Services

40 Foster Care and Adoption Assistance Payments $10,206,898 R

Provides funding to support the increased cost of the Foster Care and Adoption Assistance Programs.

41 Federal Budget Impact on Foster Care Services $2,040,755 R

Provides funding to support the projected cost of additional foster care maintenance payments to be made to people caring for their relatives' children who choose to become licensed.

	FY 06-07	
42 Paternity Testing for Child Support Enforcement Provides funding to support the loss of federal funds for paternity testing expenses.	$151,500	R
43 Food Banks Provides funding to be equally distributed to the regional network of food banks in North Carolina.	$400,000	NR
(11.0) Division of Aging and Adult Services		
44 Home and Community Care Block Grant Provides funding for the Home and Community Care Block Grant Program.	$3,000,000	R
(12.0) Office of the Secretary		
45 Transfer More At Four Program to DPI Transfers funding for the More At Four program to the Department of Public Instruction.	($66,646,653)	R
46 Utility and Fuel Cost Reserve Provides funding to support the increased cost of utility services and fuel for state institutions operated by the Department of Health and Human Services.	$1,271,533	NR
47 MMIS Implementation Transfers funding from the G.S 1423-23.2 reserve to continue to fund the state share of implementing the new Medicaid Management System (MMIS).		
Total Requirements $5,004,504 Transfer From Medicaid Reserve Fund ($5,004,504) State Appropriation 0		
48 Public Awareness of Safe Surrender of Infants Campaign Provides funding to inform the public of the Safe Surrender Act (S.L.2001-291).	$100,000	NR
Budget Changes	**($79,091,554)**	R
	$12,809,824	NR
Total Position Changes	396.00	
Revised Total Budget	**$4,198,658,398**	

grant pursuant to this section if the member is enrolled as a full-time ~~student.~~undergraduate student or as a licensure student. The member's legislative tuition grant shall not exceed the cost of tuition less any tuition assistance paid by the member's employer.

(d) A legislative tuition grant authorized under ~~G.S. 116-21.2~~ G.S. 116-21.2(a) shall be reduced by twenty-five percent (25%) for any individual student who has completed 140 semester credit hours or the equivalent of 140 semester credit hours."

SECTION 9.13.(f) G.S. 116-21.4(b) reads as rewritten:

"(b) Expenditures made pursuant to G.S. 116-19, 116-20, 116-21.1, or 116-21.2 shall not be used for any student or licensure student who:

(1) Is incarcerated in a State or federal correctional facility for committing a Class A, B, B1, or B2 felony; or

(2) Is incarcerated in a State or federal correctional facility for committing a Class C through I felony and is not eligible for parole or release within 10 years."

SECTION 9.13.(g) G.S. 116-22 is amended by adding a new subdivision to read:

"(1b) 'Licensure student' shall mean a person who:

a. Has a bachelors degree;

b. Is enrolled either full-time or less than full-time in a program intended to result in licensure in teaching or nursing;

c. Attends an institution located in the State; and

d. Qualifies as a resident of North Carolina in accordance with definitions of residency that may from time to time be adopted by the Board of Governors of The University of North Carolina and published in the residency manual of the Board."

PART X. DEPARTMENT OF HEALTH AND HUMAN SERVICES

CHANGE REPORTING DATE OF AGING STUDY COMMISSION

SECTION 10.1. The third paragraph of Section 10.40A.(p) of S.L. 2005-276 reads as rewritten:

"SECTION 10.40A.(p)

...

The Department shall submit a progress report to the North Carolina Study Commission on Aging and to the Senate Appropriations Committee on Health and Human Services and to the House of Representatives Subcommittee on Health and Human Services on or before ~~April 1, 2006.~~January 1, 2007.

..."

RATE SETTING FOR CHILD CARING INSTITUTIONS

SECTION 10.2.(a) Section 10.47(b) of S.L. 2005-276 is repealed.

SECTION 10.2.(b) G.S. 110-93.1 is repealed.

SECTION 10.2.(c) G.S. 143B-153(2)d. reads as rewritten:

"§ 143B-153. Social Services Commission – creation, powers and duties.

There is hereby created the Social Services Commission of the Department of Health and Human Services with the power and duty to adopt rules and regulations to be followed in the conduct of the State's social service programs with the power and duty to adopt, amend, and rescind rules and regulations under and not inconsistent with the laws of the State necessary to carry out the provisions and purposes of this Article. Provided, however, the Department of Health and Human Services shall have the power and duty to adopt rules and regulations to be followed in the conduct of the State's medical assistance program.

...

(2) The Social Services Commission shall have the power and duty to establish standards and adopt rules and regulations:

...

d. For the payment of State funds to private child-placing agencies as defined in G.S. 131D-10.2(4) and residential child care facilities as defined in G.S. 131D-10.2(13) for care and services provided to children who are in the custody or placement responsibility of a county department of social ~~services; and~~services. The Commission shall establish standardized rates for child caring institutions in this State, which rates shall be updated annually on July 1. Rate-setting recommendations provided by the Office of the State Auditor shall be incorporated into the Department of Social Services' rate-setting methodology; and

...

...."

SECTION 10.2.(d) The effective date for establishing standardized rates for child caring institutions in this State, as enacted in subsection (c) of this section, shall be July 1, 2007.

MEDICAID

SECTION 10.3. Section 10.11 of S.L. 2005-276 reads as rewritten:

"SECTION 10.11.(a) Use of Funds, Allocation of Costs, Other Authorizations.

(1) Use of Funds. – Funds appropriated in this act for services provided in accordance with Title XIX of the Social Security Act (Medicaid) are for both the categorically needy and the medically needy.

(2) Allocation of Nonfederal Cost of Medicaid. – The State shall pay eighty-five percent (85%); the county shall pay fifteen percent (15%) of the nonfederal costs of all applicable services listed in this section. In addition, the State shall pay eighty-five percent (85%); the county shall pay fifteen percent (15%) of the federal Medicare Part D clawback payments under the Medicare Modernization Act of 2004.

(3) Funds for Development and Acquisition of Equipment and Software. – If first approved by the Office of State Budget and Management, the Division of Medical Assistance, Department of Health and Human Services, may use funds that are identified to support the cost of development and acquisition of equipment and software through contractual means to improve and enhance information systems that provide management information and claims processing. The Department of Health and Human Services shall identify adequate funds to support the implementation and first year's operational costs that exceed the currently allocated funds for the new contract for the fiscal agent for the Medicaid Management Information System.

(4) Reports. – Unless otherwise provided, whenever the Department of Health and Human Services is required by this section to report to the General Assembly, the report shall be submitted to the House of Representatives Appropriations Subcommittee for Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division of the Legislative Services Office. Reports shall be submitted on the date provided in the reporting requirement.

SECTION 10.11.(b) Policy. –

(1) Volume purchase plans and single source procurement. – The Department of Health and Human Services, Division of Medical Assistance, may, subject to the approval of a change in the State

Medicaid Plan, contract for services, medical equipment, supplies, and appliances by implementation of volume purchase plans, single source procurement, or other contracting processes in order to improve cost containment.

(2) Cost-containment programs. – The Department of Health and Human Services, Division of Medical Assistance, may undertake cost-containment programs, including contracting for services, preadmissions to hospitals, and prior approval for certain outpatient surgeries before they may be performed in an inpatient setting.

(3) Fraud and abuse. –

a. The Division of Medical Assistance, Department of Health and Human Services, may provide incentives to counties that successfully recover fraudulently spent Medicaid funds by sharing State savings with counties responsible for the recovery of the fraudulently spent funds.

b. For the purposes of investigating and reducing client fraud and abuse, the Department of Health and Human Services, Division of Medical Assistance, shall, unless prohibited by federal law, include in the Medicaid enrollment process the requirement that the applicant for Medicaid consent to or authorize in writing the release of the applicant's medical records for the three years immediately preceding the application for Medicaid benefits. The Department shall obtain and use information from the applicant's medical records in a manner and form that complies with the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), P.L. 104-191, as amended, and that protects the privacy of the information as required by other applicable federal or State law. In addition to fraud and abuse detection, the Department may require the applicant's consent for other purposes permitted by HIPAA and required or authorized by other applicable federal or State law.

(4) Medical policy. –

Unless required for compliance with federal law, the Department shall not change medical policy affecting the amount, sufficiency, duration, and scope of health care services and who may provide services until the Division of Medical Assistance has prepared a five-year fiscal analysis documenting the increased cost of the proposed change in medical policy and submitted it for Departmental review. If the fiscal impact indicated by the fiscal analysis for any proposed medical policy change exceeds three million dollars ($3,000,000) in total requirements for a given fiscal year, then the Department shall submit the proposed policy change with the fiscal analysis to the Office of State Budget and Management and the Fiscal Research Division. The Department shall not implement any proposed medical policy change exceeding three million dollars ($3,000,000) in total requirements for a given fiscal year unless the source of State funding is identified and approved by the Office of State Budget and Management. The Department shall provide the Office of State Budget and Management and the Fiscal Research Division a quarterly report itemizing all medical policy changes with total requirements of less than three million dollars ($3,000,000).

SECTION 10.11.(c) Eligibility. – Eligibility for Medicaid shall be determined in accordance with the following:

(1) Medicaid and Work First Family Assistance, Income Eligibility Standards. – The maximum net family annual income eligibility

standards for Medicaid and Work First Family Assistance and the Standard of Need for Work First Family Assistance shall be as follows:

Categorically Needy-WFFA*		Medically Needy Families and Children	
Family Size	Standard Of Need	Income Level	AA,AB,AD*
1	$4,344	$2,172	$2,900
2	5,664	2,832	3,900
3	6,528	3,264	4,400
4	7,128	3,564	4,800
5	7,776	3,888	5,200
6	8,376	4,188	5,600
7	8,952	4,476	6,000
8	9,256	4,680	6,300

*Work First Family Assistance (WFFA); Aid to the Aged (AA); Aid to the Blind (AB); and Aid to the Disabled (AD).

The payment level for Work First Family Assistance shall be fifty percent (50%) of the standard of need.

These standards may be changed with the approval of the Director of the Budget with the advice of the Advisory Budget Commission.

(2) The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to all elderly, blind, and disabled people who have incomes equal to or less than one hundred percent (100%) of the federal poverty guidelines, as revised each April 1.

(3) The Department of Health and Human Services shall provide Medicaid to 19 and 20-year-olds in accordance with federal rules and regulations.

(4) Pregnant women and children. – The Department of Health and Human Services shall provide coverage to pregnant women and to children according to the following schedule:

a. Pregnant women with incomes equal to or less than one hundred eighty-five percent (185%) of the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits.

b. Effective January 1, 2006, infants under the age of one with family incomes equal to or less than two hundred percent (200%) of the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits.

c. Effective January 1, 2006, children aged one through five with family incomes equal to or less than two hundred percent (200%) of the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits.

d. Children aged six through 18 with family incomes equal to or less than the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits.

e. The Department of Health and Human Services shall provide Medicaid coverage for adoptive children with special or rehabilitative needs regardless of the adoptive family's income.

Services to pregnant women eligible under this subsection continue throughout the pregnancy but include only those related to pregnancy and to those other conditions determined by the Department as

conditions that may complicate pregnancy. In order to reduce county administrative costs and to expedite the provision of medical services to pregnant women, to infants, and to children described in subdivisions (3) and (4) of this subsection, no resources test shall be applied.

(5) The Department of Health and Human Services shall provide Medicaid coverage for family planning services to men and women of childbearing age with family incomes equal to or less than one hundred eight-five percent (185%) of the federal poverty level.

(6) ICF and ICF/MR Work Incentive Allowances. – The Department of Health and Human Services may provide an incentive allowance to Medicaid-eligible recipients of ICF and ICF/MR services, who are regularly engaged in work activities as part of their developmental plan, and for whom retention of additional income contributes to their achievement of independence. The State funds required to match the federal funds that are required by these allowances shall be provided from savings within the Medicaid budget or from other unbudgeted funds available to the Department. The incentive allowances may be as follows:

Monthly Net Wages	**Monthly Incentive Allowance**
$1.00 to $100.99	Up to $50.00
$101.00 to $200.99	$80.00
$201.00 to $300.99	$130.00
$301.00 and greater	$212.00

(7) Medicaid enrollment of categorically needy families with children shall be continuous for one year without regard to changes in income or assets.

(8) For all Medicaid eligibility classifications for which the federal poverty level is used as an income limit for eligibility determination, the income limits will be updated each April 1 immediately following publication of federal poverty guidelines.

(9) When implementing the Supplemental Security Income (SSI) method for considering equity value of income producing property, the Department shall, to the maximum extent possible, employ procedures to mitigate the hardship to Medicaid enrollees occurring from application of the SSI method.

SECTION 10.11.(d) Services and Payment Bases. – Funds appropriated for Medicaid services shall be expended in accordance with the following schedule of services and payment bases. All services and payments are subject to the language at the end of this subsection. This subsection is divided into services that are mandated by federal law, and those that are optional under federal law. Unless otherwise provided, services and payment bases will be as prescribed in the State Plan as established by the Department of Health and Human Services and may be changed with the approval of the Director of the Budget.

Services and payment bases – Mandatory

(1) Hospital inpatient.

(2) Hospital outpatient. – Eighty percent (80%) of allowable costs or a prospective reimbursement plan as established by the Department of Health and Human Services.

(3) Nursing facilities. – Nursing facilities providing services to Medicaid recipients who also qualify for Medicare must be enrolled in the Medicare program as a condition of participation in the Medicaid program. State facilities are not subject to the requirement to enroll in the Medicare program. Residents of nursing facilities who are eligible for Medicare coverage of nursing facility services must be placed in a

Medicare-certified bed. Medicaid shall cover facility services only after the appropriate services have been billed to Medicare. The Division of Medical Assistance shall allow nursing facility providers sufficient time from the effective date of this act to certify additional Medicare beds if necessary. In determining the date that the requirements of this subdivision become effective, the Division of Medical Assistance shall consider the regulations governing certification of Medicare beds and the length of time required for this process to be completed.

(4) Physicians, certified nurse midwife services, nurse practitioners. – Fee schedules as development by the Department of Health and Human Services.

(5) Community Alternative Program, EPSDT Screens. – Payments in accordance with rate schedule developed by the Department of Health and Human Services.

(6) Home health and related services, durable medical equipment. – Payments according to reimbursement plans developed by the Department of Health and Human Services.

(7) Hearing aids. – Wholesale cost plus dispensing fee to provider.

(8) Rural health clinical services. – Provider-based, reasonable cost; non-provider-based, single–cost reimbursement rate per clinic visit.

(9) Family planning. – Negotiated rate for local health departments. For other providers see specific services, e.g. hospitals, physicians.

(10) Independent laboratory and X-ray services. – Uniform fee schedules as developed by the Department of Health and Human Services.

(11) Ambulatory surgical centers.

Services and payment bases – Optional

(12) Private duty nursing, clinic services, prepaid health plans.

(13) Intermediate care facilities for the mentally retarded.

(14) Chiropractors, podiatrists, optometrists, dentists.

(15) Limitations on Dental Coverage. – Dental services shall be provided on a restricted basis in accordance with criteria adopted by the Department to implement this subsection.

(16) Medicare Buy-In. – Social Security Administration premium.

(17) Ambulance services. – Uniform fee schedules as developed by the Department of Health and Human Services. Public ambulance providers will be reimbursed at cost.

(18) Optical supplies. – Payment for materials is made to a contractor in accordance with 42 C.F.R. § 431.54(d). Fees paid to dispensing providers are negotiated fees established by the State agency based on industry charges.

(19) Medicare crossover claims. – The Department shall apply Medicaid medical policy to Medicare claims for dually eligible recipients. The Department shall pay an amount up to the actual coinsurance or deductible or both, in accordance with the State Plan, as approved by the Department of Health and Human Services.

(20) Physical therapy and speech therapy. – Services limited to EPSDT-eligible children. Payments are to be made only to qualified providers at rates negotiated by the Department of Health and Human Services. Physical therapy (including occupational therapy) and speech therapy services are subject to prior approval and utilization review.

(21) Personal care services.

(22) Case management services. – Reimbursement in accordance with the availability of funds to be transferred within the Department of Health and Human Services.

(23) Hospice.

(24) Medically necessary prosthetics or orthotics. – In order to be eligible for reimbursement, providers must be Board certified. Medically necessary prosthetics and orthotics are subject to prior approval and utilization review.

(25) Health insurance premiums.

(26) Medical care/other remedial care. – Services not covered elsewhere in this section include related services in schools; health professional services provided outside the clinic setting to meet maternal and infant health goals; and services to meet federal EPSDT mandates.

(27) Pregnancy-related services. – Covered services for pregnant women shall include nutritional counseling, psychosocial counseling, and predelivery and postpartum home visits by maternity care coordinators and public health nurses.

(28) Drugs. – Reimbursements. Reimbursements shall be available for prescription drugs as allowed by federal regulations plus a professional services fee per month, excluding refills for the same drug or generic equivalent during the same month. Payments for drugs are subject to the provisions of this subdivision or in accordance with the State Plan adopted by the Department of Health and Human Services, consistent with federal reimbursement regulations. Payment of the professional services fee shall be made in accordance with the State Plan adopted by the Department of Health and Human Services, consistent with federal reimbursement regulations. The professional services fee shall be five dollars and sixty cents ($5.60) per prescription for generic drugs and four dollars ($4.00) per prescription for brand-name drugs. Adjustments to the professional services fee shall be established by the General Assembly. In addition to the professional services fee, the Department may pay an enhanced fee for pharmacy services.

Limitations on quantity. – The Department of Health and Human Services may establish authorizations, limitations, and reviews for specific drugs, drug classes, brands, or quantities in order to manage effectively the Medicaid pharmacy program, except that the Department shall not impose limitations on brand-name medications for which there is a generic equivalent in cases where the prescriber has determined, at the time the drug is prescribed, that the brand-name drug is medically necessary and has written on the prescription order the phrase "medically necessary". In addition to the entities listed in subsection (a) of this section, the Department shall report to the Joint Legislative Commission on Governmental Operations on authorizations, limitations, and reviews established under this subparagraph, including limitations on monthly brand-name and generic prescriptions as well as restrictions on the total number of medications. The Department shall submit the report not later than May 1, 2006.

Dispensing of generic drugs. – Notwithstanding G.S. 90-85.27 through G.S. 90-85.31, or any other law to the contrary, under the Medical Assistance Program (Title XIX of the Social Security Act), and except as otherwise provided in this subsection for atypical antipsychotic drugs and drugs listed in the narrow therapeutic index, a prescription order for a drug designated by a trade or brand name shall be considered to be an order for the drug by its established or generic name, except when the prescriber has determined, at the time the drug is prescribed, that the brand-name drug is medically necessary and has written on the prescription order the phrase "medically necessary". An

initial prescription order for an atypical antipsychotic drug or a drug listed in the narrow therapeutic drug index that does not contain the phrase "medically necessary" shall be considered an order for the drug by its established or generic name, except that a pharmacy shall not substitute a generic or established name prescription drug for subsequent brand or trade name prescription orders of the same prescription drug without explicit oral or written approval of the prescriber given at the time the order is filled. Generic drugs shall be dispensed at a lower cost to the Medical Assistance Program rather than trade or brand-name drugs. As used in this subsection, "brand name" means the proprietary name the manufacturer places upon a drug product or on its container, label, or wrapping at the time of packaging; and "established name" has the same meaning as in section 502(e)(3) of the Federal Food, Drug, and Cosmetic Act as amended, 21 U.S.C. § 352(e)(3).

Prior authorization. – The Department of Health and Human Services shall not impose prior authorization requirements or other restrictions under the State Medical Assistance Program on medications prescribed for Medicaid recipients for the treatment of: (i) mental illness, including, but not limited to, medications for schizophrenia, bipolar disorder, and major depressive disorder, or (ii) HIV/AIDS.

(29) Other mental health services. – Unless otherwise covered by this section, coverage is limited to:

a. Services as defined by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services and approved by the Centers for Medicare and Medicaid Services (CMS) when provided in agencies meeting the requirements of the rules established by the Commission for Mental Health, Developmental Disabilities, and Substance Abuse Services and reimbursement is made in accordance with a State Plan developed by the Department of Health and Human Services not to exceed the upper limits established in federal regulations, and

b. For children eligible for EPSDT services provided by:

1. Licensed or certified psychologists, licensed clinical social workers, certified clinical nurse specialists in psychiatric mental health advanced practice, nurse practitioners certified as clinical nurse specialists in psychiatric mental health advanced practice, licensed psychological associates, licensed professional counselors, licensed marriage and family therapists, certified clinical addictions specialists, and certified clinical supervisors, when Medicaid-eligible children are referred by the Community Care of North Carolina primary care physician, a Medicaid-enrolled psychiatrist, or the area mental health program or local management entity, and

2. Institutional providers of residential services as defined by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services and approved by the Centers for Medicare and Medicaid Services (CMS) for children and Psychiatric Residential Treatment Facility services that meet federal and State requirements as defined by the Department.

c. For Medicaid-eligible adults, services provided by licensed or certified psychologists, licensed clinical social workers, certified clinical nurse specialists in psychiatric mental health advanced practice, and nurse practitioners certified as clinical nurse specialists in psychiatric mental health advanced practice, licensed psychological associates, licensed professional counselors, licensed marriage and family therapists, licensed clinical addictions specialists, and licensed clinical supervisors, Medicaid-eligible adults may be self-referred.

d. Payments made for services rendered in accordance with this subdivision shall be to qualified providers in accordance with approved policies and the State Plan. Nothing in sub-subdivision b. or c. of this subdivision shall be interpreted to modify the scope of practice of any service provider, practitioner, or licensee, nor to modify or attenuate any collaboration or supervision requirement related to the professional activities of any service provider, practitioner, or licensee. Nothing in sub-subdivision b. or c. of this subdivision shall be interpreted to require any private health insurer or health plan to make direct third-party reimbursements or payments to any service provider, practitioner, or licensee.

e. The Department of Health and Human Services shall not enroll licensed psychological associates, licensed professional counselors, licensed marriage and family therapists, licensed clinical addiction specialists, and licensed clinical supervisors until all of the following conditions have been met:

1. The fiscal impact of payments to these qualified providers has been projected;
2. Funding for any projected requirements in excess of budgeted Division of Medical Assistance funding has been identified from within State funds appropriated to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to support area mental health programs or county programs, or identified from other sources; and
3. Approval has been obtained from the Office of State Budget and Management to transfer these State or other source funds from the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to the Division of Medical Assistance. Upon approval and implementation, the Department of Health and Human Services shall, on a quarterly basis, provide a status report to the Office of State Budget and Management and the Fiscal Research Division.

Notwithstanding G.S. 150B-21.1(a), the Department of Health and Human Services may adopt temporary rules in accordance with Chapter 150B of the General Statutes further defining the qualifications of providers and referral procedures in order to implement this subdivision. Coverage policy for services defined by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services under sub-subdivisions a. and b.2 of this subdivision shall be established by the Division of Medical Assistance.

SECTION 10.11.(e) Limitations on payments. –

(1) Payment is limited to Medicaid-enrolled providers that purchase a performance bond in an amount not to exceed one hundred thousand dollars ($100,000) naming as beneficiary the Department of Health and Human Services, Division of Medical Assistance, or provide to the Department a validly executed letter of credit or other financial instrument issued by a financial institution or agency honoring a demand for payment in an equivalent amount. The Department may waive or limit the requirements of this paragraph for one or more classes of Medicaid-enrolled providers based on the provider's dollar amount of monthly billings to Medicaid or the length of time the provider has been licensed in this State to provide services. In waiving or limiting requirements of this paragraph, the Department shall take into consideration the potential fiscal impact of the waiver or limitation on the State Medicaid Program. The Department may adopt temporary rules in accordance with G.S. 150B-21.1 as necessary to implement this provision.

(2) Reimbursement is available and may be limited in accordance with federal EPSDT requirements to any one or combination of the following: physicians, clinics, hospital outpatient, optometrists, chiropractors, and podiatrists. Prenatal services, all EPSDT children, emergency rooms, and mental health services subject to independent utilization review are exempt from the visit limitations contained in this paragraph. Exceptions may be authorized by the Department of Health and Human Services where the life of the patient would be threatened without such additional care.

SECTION 10.11.(f) Exceptions and limitations on services; authorization of co-payments and other services.

(1) Exceptions to Service Limitations, Eligibility Requirements, and Payments. – Service limitations, eligibility requirements, and payments bases in this section may be waived by the Department of Health and Human Services, with the approval of the Director of the Budget, to allow the Department to carry out pilot programs for prepaid health plans, contracting for services, managed care plans, or community-based services programs in accordance with plans approved by the United States Department of Health and Human Services or when the Department determines that such a waiver will result in a reduction in the total Medicaid costs for the recipient. The Department of Health and Human Services may proceed with planning and development work on the Program of All-Inclusive Care for the Elderly.

(2) Co-Payment for Medicaid Services. – The Department of Health and Human Services may establish co-payments up to the maximum permitted by federal law and regulation and required by this subsection in order to achieve reductions in the budget in fiscal years 2005-2006 and 2006-2007.

(3) The Department of Health and Human Services shall provide Medicaid coverage for family planning services to men and women of childbearing age with family incomes equal to or less than one hundred eighty-five percent (185%) of the federal poverty level. Of the funds appropriated in this act to the Division of Medical Assistance, the sum of seven hundred fifty thousand dollars ($750,000) for the 2005-2006 fiscal year shall be used to provide the State-match for the family planning demonstration waiver approved by the federal government.

SECTION 10.11.(g) Rules, Reports, and Other Matters. –

(1) Rules. – The Department of Health and Human Services may adopt temporary or emergency rules according to the procedures established in G.S. 150B-21.1 and G.S. 150B-21.1A when it finds that these rules are necessary to maximize receipt of federal funds within existing State appropriations, to reduce Medicaid expenditures, and to reduce fraud and abuse. Prior to the filing of these temporary or emergency rules with the Rules Review Commission and the Office of Administrative Hearings, the Department shall consult with the Office of State Budget and Management on the possible fiscal impact of the temporary or emergency rule and its effect on State appropriations and local governments.

(2) Changes to Medicaid program; reports. – The Department shall report on any change it anticipates making in the Medicaid program that impacts the type or level of service, reimbursement methods, or waivers, any of which require a change in the State Plan or other approval by the Centers for Medicare and Medicaid Services (CMS). The reports shall be provided at the same time they are submitted to CMS for approval. In addition to the entities listed in subsection (a)(4) of this section, the report shall be submitted to the Joint Legislative Health Care Oversight Committee."

~~**SECTION 10.11.(a)** Funds appropriated in this act for services provided in accordance with Title XIX of the Social Security Act (Medicaid) are for both the categorically needy and the medically needy. Funds appropriated for these services shall be expended in accordance with the following schedule of services and payment bases. All services and payments are subject ot the language at the end of this subsection.~~

~~Services and payment bases:~~

~~(1) Hospital inpatient. Payment for hospital inpatient services will be prescribed in the State Plan as established by the Department of Health and Human Services.~~

~~(2) Hospital outpatient. Eighty percent (80%) of allowable costs or a prospective reimbursement plan as established by the Department of Health and Human Services.~~

~~(3) Nursing facilities. Payment for nursing facility services will be prescribed in the State Plan as established by the Department of Health and Human Services. Nursing facilities providing services to Medicaid recipients who also qualify for Medicare must be enrolled in the Medicare program as a condition of participation in the Medicaid program. State facilities are not subject to the requirement to enroll in the Medicare program. Residents of nursing facilities who are eligible for Medicare coverage of nursing facility services must be placed in a Medicare certified bed. Medicaid shall cover facility services only after the appropriate services have been billed to Medicare. The Division of Medical Assistance shall allow nursing facility providers sufficient time from the effective date of this act to certify additional Medicare beds if necessary. In determining the date that the requirements of this subdivision become effective, the Division of Medical Assistance shall consider the regulations governing certification of Medicare beds and the length of time required for this process to be completed.~~

~~(4) Intermediate care facilities for the mentally retarded. As prescribed in the State Plan as established by the Department of Health and Human Services.~~

~~(5) Drugs. Reimbursements. Reimbursements shall be available for prescription drugs as allowed by federal regulations plus a professional~~

~~services fee per month, excluding refills for the same drug or generic equivalent during the same month. Payments for drugs are subject to the provisions of this subdivision or in accordance with the State Plan adopted by the Department of Health and Human Services, consistent with federal reimbursement regulations. Payment of the professional services fee shall be made in accordance with the State Plan adopted by the Department of Health and Human Services, consistent with federal reimbursement regulations. The professional services fee shall be five dollars and sixty cents ($5.60) per prescription for generic drugs and four dollars ($4.00) per prescription for brand name drugs. Adjustments to the professional services fee shall be established by the General Assembly. In addition to the professional services fee, the Department may pay an enhanced fee for pharmacy services.~~

~~Limitations on quantity. The Department of Health and Human Services may establish authorizations, limitations, and reviews for specific drugs, drug classes, brands, or quantities in order to manage effectively the Medicaid pharmacy program, except that the Department shall not impose limitations on brand name medications for which there is a generic equivalent in cases where the prescriber has determined, at the time the drug is prescribed, that the brand name drug is medically necessary and has written on the prescription order the phrase "medically necessary". The Department shall report 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 on authorizations, limitations, and reviews established under this subparagraph, including limitations on monthly brand name and generic prescriptions as well as restrictions on the total number of medications. The Department shall submit the report not later than May 1, 2006.~~

~~Dispensing of generic drugs. Notwithstanding G.S. 90-85.27 through G.S. 90-85.31, or any other law to the contrary, under the Medical Assistance Program (Title XIX of the Social Security Act), and except as otherwise provided in this subsection for atypical antipsychotic drugs and drugs listed in the narrow therapeutic index, a prescription order for a drug designated by a trade or brand name shall be considered to be an order for the drug by its established or generic name, except when the prescriber has determined, at the time the drug is prescribed, that the brand name drug is medically necessary and has written on the prescription order the phrase "medically necessary". An initial prescription order for an atypical antipsychotic drug or a drug listed in the narrow therapeutic drug index that does not contain the phrase "medically necessary" shall be considered an order for the drug by its established or generic name, except that a pharmacy shall not substitute a generic or established name prescription drug for subsequent brand or trade name prescription orders of the same prescription drug without explicit oral or written approval of the prescriber given at the time the order is filled. Generic drugs shall be dispensed at a lower cost to the Medical Assistance Program rather than trade or brand name drugs. As used in this subsection, "brand name" means the proprietary name the manufacturer places upon a drug product or on its container, label, or wrapping at the time of packaging; and "established name" has the same meaning as in section 502(e)(3) of the Federal Food, Drug, and Cosmetic Act as amended, 21 U.S.C. § 352(e)(3).~~

~~Prior authorization. The Department of Health and Human Services shall not impose prior authorization requirements or other restrictions under the State Medical Assistance Program on medications prescribed for Medicaid recipients for the treatment of: (i) mental illness, including, but not limited to, medications for schizophrenia, bipolar disorder, and major depressive disorder, or (ii) HIV/AIDS.~~

~~(6) Physicians, chiropractors, podiatrists, optometrists, dentists, certified nurse midwife services, nurse practitioners. Fee schedules as developed by the Department of Health and Human Services. Payments for dental services are subject to the provisions of subsection (g) of this section.~~

~~(7) Community Alternative Program, EPSDT screens. Payment to be made in accordance with the rate schedule developed by the Department of Health and Human Services.~~

~~(8) Home health and related services, private duty nursing, clinic services, prepaid health plans, durable medical equipment. Payment to be made according to reimbursement plans developed by the Department of Health and Human Services.~~

~~(9) Medicare Buy In. Social Security Administration premium.~~

~~(10) Ambulance services. Uniform fee schedules as developed by the Department of Health and Human Services. Public ambulance providers will be reimbursed at cost.~~

~~(11) Hearing aids. Wholesale cost plus a dispensing fee to the provider.~~

~~(12) Rural health clinic services. Provider based, reasonable cost; nonprovider based, single cost reimbursement rate per clinic visit.~~

~~(13) Family planning. Negotiated rate for local health departments. For other providers, see specific services, for instance, hospitals, physicians.~~

~~(14) Independent laboratory and X-ray services. Uniform fee schedules as developed by the Department of Health and Human Services.~~

~~(15) Optical supplies. Payment for materials is made to a contractor in accordance with 42 C.F.R. § 431.54(d). Fees paid to dispensing providers are negotiated fees established by the State agency based on industry charges.~~

~~(16) Ambulatory surgical centers. Payment as prescribed in the reimbursement plan established by the Department of Health and Human Services.~~

~~(17) Medicare crossover claims. By not later than October 1, 2005, the Department shall apply Medicaid medical policy to Medicare claims for dually eligible recipients. The Department shall pay an amount up to the actual coinsurance or deductible or both, in accordance with the State Plan, as approved by the Department of Health and Human Services.~~

~~(18) Physical therapy and speech therapy. Services limited to EPSDT eligible children. Payments are to be made only to qualified providers at rates negotiated by the Department of Health and Human Services. Physical therapy (including occupational therapy) and speech therapy services are subject to prior approval and utilization review.~~

~~(19) Personal care services. Payment in accordance with the State Plan approved by the Department of Health and Human Services.~~

~~(20) Case management services. Reimbursement in accordance with the availability of funds to be transferred within the Department of Health and Human Services.~~

~~(21) Hospice. Services may be provided in accordance with the State Plan developed by the Department of Health and Human Services.~~

~~(22) Other mental health services. Unless otherwise covered by this section, coverage is limited to:~~

~~a. Services as defined by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services and approved by the Centers for Medicare and Medicaid Services (CMS) when provided in agencies meeting the requirements of the rules established by the Commission for Mental Health, Developmental Disabilities, and Substance Abuse Services and reimbursement is made in accordance with a State Plan developed by the Department of Health and Human Services not to exceed the upper limits established in federal regulations, and~~

~~b. For children eligible for EPSDT services provided by:~~

~~1. Licensed or certified psychologists, licensed clinical social workers, certified clinical nurse specialists in psychiatric mental health advanced practice, nurse practitioners certified as clinical nurse specialists in psychiatric mental health advanced practice, licensed psychological associates, licensed professional counselors, licensed marriage and family therapists, certified clinical addictions specialists, and certified clinical supervisors, when Medicaid eligible children are referred by the Community Care of North Carolina primary care physician, a Medicaid enrolled psychiatrist, or the area mental health program or local management entity, and~~

~~2. Institutional providers of residential services as defined by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services and approved by the Centers for Medicare and Medicaid Services (CMS) for children and Psychiatric Residential Treatment Facility services that meet federal and State requirements as defined by the Department.~~

~~c. For Medicaid eligible adults, services provided by licensed or certified psychologists, licensed clinical social workers, certified clinical nurse specialists in psychiatric mental health advanced practice, and nurse practitioners certified as clinical nurse specialists in psychiatric mental health advanced practice, licensed psychological associates, licensed professional counselors, licensed marriage and family therapists, certified clinical addictions specialists, and certified clinical supervisors, Medicaid eligible adults may be self-referred.~~

~~d. Payments made for services rendered in accordance with this subdivision shall be to qualified providers in accordance with approved policies and the State Plan. Nothing in sub-subdivision b. or c. of this subdivision shall be interpreted to modify the scope of practice of any service provider, practitioner, or licensee, nor to modify or attenuate any collaboration or supervision requirement related to the professional activities of any service provider, practitioner, or licensee. Nothing in sub-subdivision b. or c. of this subdivision shall be interpreted to require any private health insurer or~~

health plan to make direct third-party reimbursements or payments to any service provider, practitioner, or licensee.

e. The Department of Health and Human Services shall not enroll licensed psychological associates, licensed professional counselors, licensed marriage and family therapists, certified clinical addiction specialists, and certified clinical supervisors until all of the following conditions have been met:

1. The fiscal impact of payments to these qualified providers has been projected;

2. Funding for any projected requirements in excess of budgeted Division of Medical Assistance funding has been identified from within State funds appropriated to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to support area mental health programs or county programs, or identified from other sources; and

3. Approval has been obtained from the Office of State Budget and Management to transfer these State or other source funds from the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to the Division of Medical Assistance. Upon approval and implementation, the Department of Health and Human Services shall, on a quarterly basis, provide a status report to the Office of State Budget and Management and the Fiscal Research Division.

Notwithstanding G.S. 150B-21.1(a), the Department of Health and Human Services may adopt temporary rules in accordance with Chapter 150B of the General Statutes further defining the qualifications of providers and referral procedures in order to implement this subdivision. Coverage policy for services defined by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services under sub-subdivisions a. and b.2 of this subdivision shall be established by the Division of Medical Assistance.

(23) Medically necessary prosthetics or orthotics. Reimbursement in accordance with the State Plan approved by the Department of Health and Human Services, except that in order to be eligible for reimbursement, providers must be Board certified not later than July 1, 2005. Medically necessary prosthetics and orthotics are subject to prior approval and utilization review.

(24) Health insurance premiums. Payments to be made in accordance with the State Plan adopted by the Department of Health and Human Services consistent with federal regulations.

(25) Medical care/other remedial care. Services not covered elsewhere in this section include related services in schools; health professional services provided outside the clinic setting to meet maternal and infant health goals; and services to meet federal EPSDT mandates. Services addressed by this subdivision are limited to those prescribed in the State Plan as established by the Department of Health and Human Services.

(26) Pregnancy related services. Covered services for pregnant women shall include nutritional counseling, psychosocial counseling, and predelivery and postpartum home visits by maternity care coordinators and public health nurses.

~~Services and payment bases may be changed with the approval of the Director of the Budget.~~

~~Payment is limited to Medicaid enrolled providers that purchase a performance bond in an amount not to exceed one hundred thousand dollars ($100,000) naming as beneficiary the Department of Health and Human Services, Division of Medical Assistance, or provide to the Department a validly executed letter of credit or other financial instrument issued by a financial institution or agency honoring a demand for payment in an equivalent amount. The Department may waive or limit the requirements of this paragraph for one or more classes of Medicaid enrolled providers based on the provider's dollar amount of monthly billings to Medicaid or the length of time the provider has been licensed in this State to provide services. In waiving or limiting requirements of this paragraph, the Department shall take into consideration the potential fiscal impact of the waiver or limitation on the State Medicaid Program. The Department may adopt temporary rules in accordance with G.S. 150B-21.1 as necessary to implement this provision.~~

~~Reimbursement is available for up to 24 visits per recipient per year to any one or combination of the following: physicians, clinics, hospital outpatient, optometrists, chiropractors, and podiatrists. Prenatal services, all EPSDT children, emergency rooms, and mental health services subject to independent utilization review are exempt from the visit limitations contained in this paragraph. Exceptions may be authorized by the Department of Health and Human Services where the life of the patient would be threatened without such additional care.~~

~~**SECTION 10.11.(b)** Allocation of Nonfederal Cost of Medicaid. The State shall pay eighty five percent (85%); the county shall pay fifteen percent (15%) of the nonfederal costs of all applicable services listed in this section. In addition, the State shall pay eighty five percent (85%); the county shall pay fifteen percent (15%) of the federal Medicare Part D clawback payments under the Medicare Modernization Act of 2004.~~

~~**SECTION 10.11.(c)** Co Payment for Medicaid Services. The Department of Health and Human Services may establish co payments up to the maximum permitted by federal law and regulation and required by this subsection in order to achieve reductions in the budget in fiscal years 2005 2006 and 2006 2007.~~

~~**SECTION 10.11.(d)** Medicaid and Work First Family Assistance, Income Eligibility Standards. The maximum net family annual income eligibility standards for Medicaid and Work First Family Assistance and the Standard of Need for Work First Family Assistance shall be as follows:~~

	Categorically Needy	Medically Needy	
	WFFA*		
Family Size	Standard of Need	Families and Children Income Level	AA, AB, AD*
1	$4,344	$2,172	$2,900
2	5,664	2,832	3,800
3	6,528	3,264	4,400
4	7,128	3,564	4,800
5	7,776	3,888	5,200
6	8,376	4,188	5,600
7	8,952	4,476	6,000
8	9,256	4,680	6,300

~~*Work First Family Assistance (WFFA); Aid to the Aged (AA); Aid to the Blind (AB); and Aid to the Disabled (AD).~~

~~The payment level for Work First Family Assistance shall be fifty percent (50%) of the standard of need.~~

These standards may be changed with the approval of the Director of the Budget with the advice of the Advisory Budget Commission.

SECTION 10.11.(e) The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to all elderly, blind, and disabled people who have incomes equal to or less than one hundred percent (100%) of the federal poverty guidelines, as revised each April 1. This subsection expires December 31, 2005.

SECTION 10.11.(f) ICF and ICF/MR Work Incentive Allowances. The Department of Health and Human Services may provide an incentive allowance to Medicaid-eligible recipients of ICF and ICF/MR facilities who are regularly engaged in work activities as part of their developmental plan and for whom retention of additional income contributes to their achievement of independence. The State funds required to match the federal funds that are required by these allowances shall be provided from savings within the Medicaid budget or from other unbudgeted funds available to the Department. The incentive allowances may be as follows:

Monthly Net Wages	Monthly Incentive Allowance
$1.00 to $100.99	Up to $50.00
$101.00 to $200.99	$80.00
$201.00 to $300.99	$130.00
$301.00 and greater	$212.00.

SECTION 10.11.(g) Dental Coverage Limits. Dental services shall be provided on a restricted basis in accordance with rules adopted by the Department to implement this subsection.

SECTION 10.11.(h) Exceptions to Service Limitations, Eligibility Requirements, and Payments. Service limitations, eligibility requirements, and payments bases in this section may be waived by the Department of Health and Human Services, with the approval of the Director of the Budget, to allow the Department to carry out pilot programs for prepaid health plans, contracting for services, managed care plans, or community-based services programs in accordance with plans approved by the United States Department of Health and Human Services or when the Department determines that such a waiver will result in a reduction in the total Medicaid costs for the recipient. The Department of Health and Human Services may proceed with planning and development work on the Program of All-Inclusive Care for the Elderly.

SECTION 10.11.(i) Volume Purchase Plans and Single Source Procurement. The Department of Health and Human Services, Division of Medical Assistance, may, subject to the approval of a change in the State Medicaid Plan, contract for services, medical equipment, supplies, and appliances by implementation of volume purchase plans, single source procurement, or other contracting processes in order to improve cost containment.

SECTION 10.11.(j) Cost Containment Programs. The Department of Health and Human Services, Division of Medical Assistance, may undertake cost containment programs, including contracting for services, preadmissions to hospitals, and prior approval for certain outpatient surgeries before they may be performed in an inpatient setting.

SECTION 10.11.(k) For all Medicaid eligibility classifications for which the federal poverty level is used as an income limit for eligibility determination, the income limits will be updated each April 1 immediately following publication of federal poverty guidelines.

SECTION 10.11.(l) The Department of Health and Human Services shall provide Medicaid to 19-, 20-, and 21-year olds in accordance with federal rules and regulations.

SECTION 10.11.(m) The Department of Health and Human Services shall provide coverage to pregnant women and to children according to the following schedule:

~~(1) Pregnant women with incomes equal to or less than one hundred eighty five percent (185%) of the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits.~~

~~(2) Effective until January 1, 2006, infants under the age of one with family incomes equal to or less than one hundred eighty five percent (185%) of the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits. Effective January 1, 2006, infants under the age of one with family incomes equal to or less than two hundred percent (200%) of the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits.~~

~~(3) Effective until January 1, 2006, children aged one through five with family incomes equal to or less than one hundred thirty three percent (133%) of the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits. Effective January 1, 2006, children aged one through five with family incomes equal to or less than two hundred percent (200%) of the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits.~~

~~(4) Children aged six through 18 with family incomes equal to or less than the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits.~~

~~(5) The Department of Health and Human Services shall provide Medicaid coverage for adoptive children with special or rehabilitative needs regardless of the adoptive family's income.~~

~~Services to pregnant women eligible under this subsection continue throughout the pregnancy but include only those related to pregnancy and to those other conditions determined by the Department as conditions that may complicate pregnancy. In order to reduce county administrative costs and to expedite the provision of medical services to pregnant women, to infants, and to children described in subdivisions (3) and (4) of this subsection, no resources test shall be applied.~~

~~**SECTION 10.11.(n)** Medicaid enrollment of categorically needy families with children shall be continuous for one year without regard to changes in income or assets.~~

~~**SECTION 10.11.(o)** The Division of Medical Assistance, Department of Health and Human Services, may provide incentives to counties that successfully recover fraudulently spent Medicaid funds by sharing State savings with counties responsible for the recovery of the fraudulently spent funds.~~

~~**SECTION 10.11.(p)** If first approved by the Office of State Budget and Management, the Division of Medical Assistance, Department of Health and Human Services, may use funds that are identified to support the cost of development and acquisition of equipment and software through contractual means to improve and enhance information systems that provide management information and claims processing. The Department of Health and Human Services shall identify adequate funds to support the implementation and first year's operational costs that exceed the currently allocated funds for the new contract for the fiscal agent for the Medicaid Management Information System.~~

~~**SECTION 10.11.(q)** The Department of Health and Human Services may adopt temporary or emergency rules according to the procedures established in G.S. 150B-21.1 and G.S. 150B-21.1A when it finds that these rules are necessary to maximize receipt of federal funds within existing State appropriations, to reduce Medicaid expenditures, and to reduce fraud and abuse. Prior to the filing of these temporary or emergency rules with the Rules Review Commission and the Office of Administrative Hearings, the Department shall consult with the Office of State Budget and Management on the possible fiscal impact of the temporary or emergency rule and its effect on State appropriations and local governments.~~

SECTION 10.11.(r) The Department shall report to the Fiscal Research Division of the Legislative Services Office and to the House of Representatives Appropriations Subcommittee on Health and Human Services and the Senate Appropriations Committee on Health and Human Services or the Joint Legislative Health Care Oversight Committee on any change it anticipates making in the Medicaid program that impacts the type or level of service, reimbursement methods, or waivers, any of which require a change in the State Plan or other approval by the Centers for Medicare and Medicaid Services (CMS). The reports shall be provided at the same time they are submitted to CMS for approval.

SECTION 10.11.(s) The Department of Health and Human Services shall provide Medicaid coverage for family planning services to men and women of childbearing age with family incomes equal to or less than one hundred eighty five percent (185%) of the federal poverty level. Of the funds appropriated in this act to the Division of Medical Assistance, the sum of seven hundred fifty thousand dollars ($750,000) for the 2005-2006 fiscal year shall be used to provide the State match for the family planning demonstration waiver approved by the federal government.

SECTION 10.11.(t) For the purposes of determining eligibility for Medical Assistance, the Department of Health and Human Services may apply federal transfer of assets policies, as described in Title XIX, section 1917(c) of the Social Security Act, including the attachment of liens, to (i) life estates purchased by or on behalf of the recipient, other than life estates excluded from countable resources under this section, and (ii) to real property excluded as "income producing", tenancy in common, or as nonhomesite property made "income producing" under Title XIX, section 1902(r)(2) of the Social Security Act. The transfer of assets policy shall apply only to an institutionalized individual or the individual's spouse as defined in Title XIX, section 1917(c) of the Social Security Act. The Department shall exclude from countable resources any life estate in real property that is in the recipient's home, is measured by the recipient's life, and is the result of the transfer of a remainder interest.

Federal transfer of assets policies applied to "income producing" real property under Title XIX, section 1902(r)(2) of the Social Security Act shall become effective not earlier than October 1, 2001. Federal transfer of assets policies and attachment of liens applied to real property excluded as tenancy in common, or as nonhomesite property made "income producing" in accordance with this subsection shall become effective not earlier than November 1, 2002. Federal transfer of assets policies applied to life estates in accordance with this subsection shall become effective not earlier than October 1, 2005.

SECTION 10.11.(u) When implementing the Supplemental Security Income (SSI) method for considering equity value of income producing property, the Department shall, to the maximum extent possible, employ procedures to mitigate the hardship to Medicaid enrollees occurring from application of the Supplemental Security Income (SSI) method.

SECTION 10.11.(v) Unless required for compliance with federal law, the Department shall not change medical policy affecting the amount, sufficiency, duration, and scope of health care services and who may provide services until the Division of Medical Assistance has prepared a five year fiscal analysis documenting the increased cost of the proposed change in medical policy and submitted it for Departmental review. If the fiscal impact indicated by the fiscal analysis for any proposed medical policy change exceeds three million dollars ($3,000,000) in total requirements for a given fiscal year, then the Department shall submit the proposed policy change with the fiscal analysis to the Office of State Budget and Management and the Fiscal Research Division. The Department shall not implement any proposed medical policy change exceeding three million dollars ($3,000,000) in total requirements for a given fiscal year unless the source of State funding is identified and approved by the Office of State Budget and Management. The Department shall provide the Office of State Budget and

~~Management and the Fiscal Research Division a quarterly report itemizing all medical policy changes with total requirements of less than three million dollars ($3,000,000).~~

~~**SECTION 10.11.(w)** The Department shall develop, amend, and adopt medical coverage policy in accordance with the following:~~

~~(1) During the development of new medical coverage policy or amendment to existing medical coverage policy, consult with and seek the advice of the Physician Advisory Group of the North Carolina Medical Society and other organizations the Secretary deems appropriate. The Secretary shall also consult with and seek the advice of officials of the professional societies or associations representing providers who are affected by the new medical coverage policy or amendments to existing medical coverage policy.~~

~~(2) At least 45 days prior to the adoption of new or amended medical coverage policy, the Department shall:~~

~~a. Publish the proposed new or amended medical coverage policy on the Department's Web site;~~

~~b. Notify all Medicaid providers of the proposed, new, or amended policy; and~~

~~c. Upon request, provide persons copies of the proposed medical coverage policy.~~

~~(3) During the 45 day period immediately following publication of the proposed new or amended medical coverage policy, accept oral and written comments on the proposed new or amended policy.~~

~~(4) If, following the comment period, the proposed new or amended medical coverage policy is modified, then the Department shall, at least 15 days prior to its adoption:~~

~~a. Notify all Medicaid providers of the proposed policy;~~

~~b. Upon request, provide persons notice of amendments to the proposed policy; and~~

~~c. Accept additional oral or written comments during this 15 day period.~~

~~**SECTION 10.11.(x)** For the purposes of investigating and reducing client fraud and abuse, the Department of Health and Human Services, Division of Medical Assistance, shall, unless prohibited by federal law, include in the Medicaid enrollment process the requirement that the applicant for Medicaid consent to or authorize in writing the release of the applicant's medical records for the three years immediately preceding the application for Medicaid benefits. The Department shall obtain and use information from the applicant's medical records in a manner and form that complies with the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), P.L. 104-191, as amended, and that protects the privacy of the information as required by other applicable federal or State law. In addition to fraud and abuse detection, the Department may require the applicant's consent for other purposes permitted by HIPAA and required or authorized by other applicable federal or State law.~~

~~**SECTION 10.11.(y)** The Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services shall provide an opportunity for interested advocacy organizations to comment on restrictions imposed by the Department of Health and Human Services, Division of Medical Assistance, on the medications prescribed for Medicaid recipients, as authorized under subsection (a)(5) of this section. The Committee may report its findings or recommendations based on comments received to 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 on or before April 30, 2006.~~"

PROCEDURES FOR CHANGES TO DHHS MEDICAL POLICY

SECTION 10.4. Article 2 of Chapter 108A of the General Statutes is amended by adding the following new section to read:

"**§ 108A-54.2. Procedures for changing medical policy.**

The Department shall develop, amend, and adopt medical coverage policy in accordance with the following:

(1) During the development of new medical coverage policy or amendment to existing medical coverage policy, consult with and seek the advice of the Physician Advisory Group of the North Carolina Medical Society and other organizations the Secretary deems appropriate. The Secretary shall also consult with and seek the advice of officials of the professional societies or associations representing providers who are affected by the new medical coverage policy or amendments to existing medical coverage policy.

(2) At least 45 days prior to the adoption of new or amended medical coverage policy, the Department shall:

a. Publish the proposed new or amended medical coverage policy on the Department's Web site;

b. Notify all Medicaid providers of the proposed, new, or amended policy; and

c. Upon request, provide persons copies of the proposed medical coverage policy.

(3) During the 45-day period immediately following publication of the proposed new or amended medical coverage policy, accept oral and written comments on the proposed new or amended policy.

(4) If, following the comment period, the proposed new or amended medical coverage policy is modified, then the Department shall, at least 15 days prior to its adoption:

a. Notify all Medicaid providers of the proposed policy;

b. Upon request, provide persons notice of amendments to the proposed policy; and

c. Accept additional oral or written comments during this 15-day period."

TRANSFER OF ASSETS REWRITE

SECTION 10.5.(a) G.S. 108A-58 is repealed.

SECTION 10.5.(b) Part 6 of Article 2 of Chapter 108A of the General Statutes is amended by adding the following new section to read:

"**§ 108A-58.1. Ineligibility for medical assistance based on transferring assets for less than fair market value.**

(a) General rule. – Except as otherwise provided herein, an individual who is otherwise eligible to receive medical assistance under this Part is ineligible for Medicaid coverage and payment for the services specified in subsection (d) during the period specified in subsection (c) if the individual or the individual's spouse transfers an asset for less than fair market value on or after the "lookback date" specified in subsection (b).

(b) Lookback date. –

(1) Except as otherwise provided herein, the lookback date is the date specified in 42 U.S.C. § 1396p(c)(1)(B).

(2) Notwithstanding subdivision (1), the lookback date with respect to the medical services specified in subdivision (d)(2) is the date specified in 42 U.S.C. § 1396p(c)(1)(B) or February 1, 2003, whichever is later.

(c) Penalty period. – The penalty period for the transfer of assets for less than fair market value is the period specified in 42 U.S.C. § 1396p(c)(1)(D), (E), and (H).

(d) Medical services. –

(1) In the case of an institutionalized individual, the transfer of assets penalty applies with respect to nursing facility services, a level of care in any institution equivalent to that of nursing facility services, and to home or community-based services furnished under the State's Community Alternatives Program waiver pursuant to 42 U.S.C. § 1396n(c) or (d).

(2) In the case of a noninstitutionalized individual, the transfer of assets penalty applies with respect to home health services and personal care services as defined in 42 U.S.C. § 1396d(a)(7) and (24) and, to the extent permitted by federal law, such other long-term care services specified by rules adopted by the Department of Health and Human Services pursuant to subsection (k) of this section.

(e) Assets. – Assets are the income and resources of an individual or the individual's spouse (including the individual's or spouse's home) as defined in 42 U.S.C. § 1396p(h) and 42 U.S.C. § 1396p(c)(1)(G), (I), and (J).

(f) Fair market value and uncompensated value. –

(1) The fair market value of an asset is the value (minus any valid and legally enforceable liens, mortgages, and encumbrances against the asset) that would have been received if the asset had been sold for good and valuable consideration at the prevailing market price at the time the asset was transferred. In the case of real or personal property that is taxable under Subchapter II of Chapter 105 of the General Statutes, there is a rebuttable presumption that the fair market value of the property is its most recent value as ascertained under Subchapter II of Chapter 105 of the General Statutes (minus any valid and legally enforceable liens, mortgages, and encumbrances against the property).

(2) The uncompensated value of an asset is its fair market value minus the amount of good and valuable consideration received in exchange for the asset's transfer.

(g) Individual. – An individual is a person who applies for or is receiving medical assistance under this Part regardless of whether the person was, at the time an asset was transferred, a Medicaid applicant or recipient. The term "individual" also includes an individual's legal representative, anyone acting at the individual's direction or request, and any person, agency, or court acting lawfully on behalf of the individual.

(h) Institutionalized and noninstitutionalized individuals. –

(1) An institutionalized individual is an individual who meets the criteria set forth in 42 U.S.C. § 1396p(h)(3), regardless of whether the individual was institutionalized at the time an asset was transferred.

(2) A noninstitutionalized individual is any individual who (i) is not an institutionalized individual, (ii) is an aged, blind, or disabled person who is categorically or medically needy pursuant to 42 C.F.R. § 435. § 120 or a qualified Medicare beneficiary as defined in 42 U.S.C. § 1396d(p)(1), and (3) is not eligible for medical assistance under this Part based on his or her eligibility for an optional State supplement pursuant to 42 C.F.R. § 435.232.

(i) Exceptions. –

(1) This section does not apply if an individual establishes by the greater weight of the evidence that the transfer was exclusively for some purpose other than establishing or retaining eligibility for medical assistance under this Part.

(2) This section does not apply to any transfer specified in 42 U.S.C. § 1396p(c)(2)(A), (B), (C)(i), or (C)(iii).

(j) Hardship waiver. – The Department of Health and Human Services shall waive a transfer of assets penalty that has been imposed or is imposable under this

section if the Department determines that imposition of the penalty would create an undue hardship.

(k) Rules and compliance with federal law.–

(1) This section shall be interpreted and administered consistently with governing federal law, including 42 U.S.C. § 1396p(c).

(2) The Department of Health and Human Services shall determine and publish at least annually the average monthly cost of nursing facility services for private patients that will be used in determining the length of a penalty period under this section.

(3) The Department of Health and Human Services shall provide for a hardship waiver process in accordance with 42 U.S.C. § 1396p(c)(2)(D).

(4) The Department of Health and Human Services may adopt administrative rules that are necessary and appropriate to implement this section or the requirements of 42 U.S.C. § 1396p(c) or other federal laws governing the transfer of assets and Medicaid eligibility."

SECTION 10.5.(c) This section is effective when it becomes law. This section does not affect the validity of any Medicaid transfer of assets penalty that was validly imposed before the date this act becomes law under prior federal or state law or rules.

MEDICAID DUALLY ELIGIBLE TO ENROLL IN MEDICARE PARTS A,B,C, D

SECTION 10.6. G.S. 108A-55.1 reads as rewritten:

"**§ 108A-55.1. Medicare enrollment required.**

The Department shall require State Medical Assistance Program recipients who qualify for Medicare to enroll in Medicare, in accordance with Title XIX of the Social Security Act, in order to pay medical expenditures that qualify for payment under Medicare ~~Part B.~~ Parts A, B, C, and D.

Failure to enroll in Medicare shall result in nonpayment of these expenditures under the State Medical Assistance Program. A provider may seek payment for services from Medicaid enrollees who are eligible for but not enrolled in Medicare ~~Part B~~ Parts A, B, C, and D."

MEDICAID RESERVE FUND TRANSFER

SECTION 10.7.(a) Of the funds transferred to the Department of Health and Human Services for Medicaid programs pursuant to G.S. 143-23.2, the sum of fifty million dollars ($50,000,000) for the 2006-2007 fiscal year shall be allocated as prescribed by G.S. 143-23.2(b) for Medicaid programs. Notwithstanding the prescription in G.S. 143-23.2(b) that these funds not reduce State general revenue funding, these funds shall replace the reduction in general revenue funding effected in this act.

SECTION 10.7.(b) Of the funds transferred to the Department of Health and Human Services for Medicaid programs pursuant to G.S. 143-23.2, the sum of five million four thousand five hundred four dollars ($5,004,504) for the 2006-2007 fiscal year shall be allocated as prescribed by G.S. 143-23.2(b) for the implementation of the Medicaid Management Information System (MMIS).

REQUIRED DATA SHARING BY PRIVATE HEALTH INSURERS

SECTION 10.8. Part 1 of Article 50 of Chapter 58 of the General Statutes is amended by adding the following new section to read:

"**§ 58-50-46. Insurers to provide certain information to Department of Health and Human Services.**

(a) As used in this section, the terms:

(1) 'Department' means the Department of Health and Human Services.

(2) 'Division' means the Division of Medical Assistance of the Department of Health and Human Services.

(3) 'Health insurer' includes self-insured plans, group health plans (as defined in section 607(1) of the Employee Retirement Income Security Act of 1974, [29 USC Section 1167(1)]), service benefit plans, managed care organizations, or other parties that are, by statute, contract, or agreement, legally responsible for payment of a claim for a health care item or service as a condition of doing business in the State.

(4) 'Medical assistance' means medical assistance benefits provided under the State Medical Assistance Plan.

(b) Health insurers, and pharmacy benefit managers regulated as third-party administrators under Article 56 of Chapter 58 of the General Statutes, shall provide, with respect to individuals who are eligible for, or are provided, medical assistance, upon request of the Division, information to determine during what period the individual or the individual's spouse or dependents may be (or may have been) covered by a health insurer and the nature of the coverage that is or was provided by the health insurer (including the name, address, and identifying number of the plan) in a manner prescribed by the Division. Notwithstanding any other provision of law, every insurer issuing a health benefit plan shall provide, not more frequently than twelve times in a year and at no cost, to the Department of Health and Human Services, upon its request, information, including automated data matches conducted under the direction of the Department of Health and Human Services, Division of Medical Assistance, as necessary to (i) identify individuals covered under the insurer's health benefit plans who are also recipients of medical assistance; (ii) determine the period during which the individual or the individual's spouses or the individual's dependents may be or may have been covered by the health benefit plan; and (iii) determine the nature of the coverage. To facilitate the Division in obtaining this and other related information, every health insurer shall:

(1) Cooperate with the Division to determine whether a named individual who is a recipient of medical assistance may be covered under the insurer's health benefit plan and eligible to receive benefits under the health benefit plan for services provided under the State Medical Assistance Plan.

(2) Respond to the request for information within 90 working days after receipt of written proof of loss or claim for payment for health care services provided to a recipient of medical assistance who is covered by the insurer's health benefit plan.

(3) Accept the Division's right of recovery and the assignment to the Division of any right of an individual or other entity to payment from the party for an item or service for which payment has been made under the State Medical Assistance Plan.

(4) Respond to any inquiry by the Division regarding a claim for payment for any health care item or service that is submitted not later than three years after the date of the provision of the health care item or service.

(5) Agree not to deny a claim submitted by the Division solely on the basis of the date of submission of the claim, the type of format of the claim form, or a failure to present property documentation at the point-of-sale that is the basis of the claim, if:

a. The claim is submitted by the Division within the three-year period beginning on the date on which the item or service was furnished; and

b. Any action by the Division to enforce its rights with respect to such claim is commenced within six years of the Division's submission of the claim.

(c) An insurer that complies with this section shall not be liable on that account in any civil or criminal actions or proceedings."

TICKET TO WORK EFFECTIVE DATE CHANGE

SECTION 10.9.(a) Section 10.18(c) of S.L. 2005-276 reads as rewritten:

"**SECTION 10.18.(c)** Subsection (b) of this section becomes effective July 1, 2006. Subsection (a) of this section becomes effective July 1, ~~2007, or within 30 days after the date on which the MMIS becomes operational, as determined by the Department of Health and Human Services, whichever occurs later.~~2007. Client enrollment shall begin not later than six months from the date subsection (a) becomes effective. The remainder of this section is effective when it becomes law."

SECTION 10.9.(b) The Department of Health and Human Services shall study and develop a plan for the implementation of the Ticket to Work Program. The Department shall report to 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 not later than March 1, 2007, on the results of its study. The report shall include what system changes need to be made to implement the Ticket to Work Program, how soon the changes can be made, and an analysis of the five-year fiscal impact of the Program.

PUBLIC-PRIVATE LONG TERM CARE PARTNERSHIP PROGRAM

SECTION 10.10. Pursuant to authority under Section 1917(b) of the Social Security Act (42 USC 1396p(c)), as amended by Public Law 109-171 effective January 1, 2007, there is established in the Department of Health and Human Services the North Carolina Long-Term Care Partnership Program. The purpose of the Program is to reduce future Medicaid costs for long-term care by delaying or eliminating dependence on Medicaid. The Program shall be administered by the Department of Health and Human Services with the assistance of the Commissioner of Insurance. The Department shall structure and administer the Program in accordance with applicable federal law and guidelines for qualified State long-term care partnerships. The Program, including the treatment of assets for Medicaid eligibility and estate recovery, notwithstanding statutory provisions on treatment of assets and estate recovery to the contrary, shall offer incentives to individuals to insure against the substantial costs of providing for their long-term care needs. The Long-Term Care Partnership Program becomes effective on the effective date of the approved State Plan amendment.

STUDY MEDICAID PROVIDER RATE INCREASES

SECTION 10.11.(a) The Secretary of the Department of Health and Human Services shall study and develop a proposal for an equitable standard for providing inflationary increases and other cost-related increases to service providers in the Medicaid program. The Department shall seek the assistance of external consultants and other appropriate financial experts and affected parties to validate any methodologies used in the development of the standard.

SECTION 10.11.(b) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Medical Assistance, the sum of one hundred thousand dollars ($100,000) for the 2006-2007 fiscal year shall be used to support the study. Not later than March 1, 2007, the Department shall report to 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 on the findings and recommendations of the study.

SECTION 10.11.(c) The Department of Health and Human Services shall study the feasibility and effectiveness of adjusting and rebasing case-mix reimbursement rates using 2005 cost data for nursing facilities. The study shall include the frequency of rebasing to appropriately reflect increases and decreases in reported and audit costs.

INCREASE HEALTH CARE ACCESS FOR UNINSURED PERSONS

SECTION 10.12.(a) The Secretary of the Department of Health and Human Services shall develop a plan to expand health care access for uninsured North Carolinians through the use of public/private partnerships, federal flexibility and resources, and promotion of charity care by health care providers. The goals of the plan are to:

(1) Aid small businesses that want to provide health care coverage.
(2) Expand health care coverage for the working uninsured persons.
(3) Secure all available federal funds to support the program.
(4) Promote charity care by health care providers.

SECTION 10.12.(b) In developing the plan, the Secretary shall:

(1) Consider findings and recommendations of previous studies on increased access to health care and covering the uninsured to determine their feasibility.
(2) Draw on the experience of other states that have successfully increased access to health care and covered the uninsured.
(3) Determine waivers necessary to secure federal funding available through 1115 Demonstration Waivers and other federal waivers to cover the uninsured.
(4) Explore options such as those available through the Deficit Reduction Act of 2005 (DEFRA) to adjust Medicaid eligibility and benefits to cover the uninsured.
(5) Consider the use of existing funding that might be used to leverage additional federal matching funds including certified public expenditures (CPE), and appropriate federal Disproportionate Share Hospital Program (DSH) funds.
(6) Pursue an agreement with the Centers for Medicare and Medicaid Services (CMS) to develop a methodology for investing Medicare savings realized from the expansion of the scope of Community Care of North Carolina Program to help fund the plan; and
(7) Determine in conjunction with the Office of State Budget and Management the fiscal impact of the plan for a five-year period.

SECTION 10.12.(c) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Medical Assistance, the sum of two hundred thousand dollars ($200,000) for the 2006-2007 fiscal year shall be used to support the development of the plan. The proposed plan shall be submitted to the 2007 General Assembly not later than March 1, 2007.

HEALTH INFORMATION SYSTEMS (HIS) FUNDS

SECTION 10.13.(a) The sum of nine million eight hundred thirty-five thousand seven hundred ninety-five dollars ($9,835,795) is appropriated from Budget Code 24430, Fund Code 2117, to the Department of Health and Human Services, Division of Public Health, for the 2006-2007 fiscal year. These funds shall be used for the development and implementation of the Health Information Systems (HIS), an initiative that will provide an automated means of capturing, monitoring, reporting, and billing services provided in local health departments, CDSAs, and the State Public Health Lab. The HIS will allow for interfaces to local health departments' own vendor systems and is intended to replace the outdated Health Services Information System. Allocation of these funds is contingent upon full compliance with the reporting requirements of Section 10.59A.(b) of S.L. 2005-276 and the identification of total estimated costs and future funding sources.

SECTION 10.13.(b) The Department of Health and Human Services, Division of Public Health, shall report on the use of these funds 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 not later than March 1, 2007.

REPEAL VISION CARE PROGRAM

SECTION 10.14. Section 10.59F of S.L. 2005-276 (as amended by Section 20 of S.L. 2005-345), G.S. 130A-440.1, and Part 34 of Article 3 of Chapter 143B of the General Statutes are repealed.

EARLY INTERVENTION SERVICES REPORT

SECTION 10.15. The Department of Health and Human Services, Division of Public Health, shall report on Early Intervention services. The report shall include the following information for all children, ages birth to three years, entering the Early Intervention system as of July 1, 2006, through December 31, 2006:

(1) Children served: the number of children referred and the source of referral, the number of children receiving initial evaluations, the number of children determined eligible, the number of children enrolled, and the number of IFS Plans developed.

(2) Services provided: the number and types of evaluation services, treatment services, and other services provided and whether the service was provided by an employee of a Children's Developmental Services Agency or a private provider.

(3) Sliding scale participation: the percentage of enrolled children whose family income falls into each of the following categories: at or below 200% of the federal poverty level, between 250% and 300% of the federal poverty level, between 350% and 400% of the federal poverty level, and over 400% of the federal poverty level. These percentages shall be reported based on gross income and net income after allowable deductions.

The Division of Public Health shall report its findings and recommendations to the Senate Appropriations Committee on Health and Human Services, the House of Representative Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division not later than February 1, 2007.

COMMUNITY HEALTH CENTER CHANGES

SECTION 10.16. Section 10.9(a) of S.L. 2005-276 reads as rewritten:

"**SECTION 10.9.(a)** Of the funds appropriated in this act for Community Health Grants, the sum of two million dollars ($2,000,000) in recurring ~~funds for the 2005-2006 fiscal year, and the sum of two million dollars ($2,000,000) in recurring~~ funds for the 2006-2007 fiscal year shall be used for federally qualified health centers, for those health centers that meet the criteria for federally qualified health centers, and for State-designated rural health centers and public health departments and other clinics to:

(1) Increase access to preventative and primary care services by uninsured or medically indigent patients in existing or new health center locations;

(2) Establish community health center services in counties where no such services exist;

(3) Create new services or augment existing services provided to uninsured or medically indigent patients, including primary care and preventative medical services, dental services, pharmacy, and behavioral health; and

(4) Increase capacity necessary to serve the uninsured by enhancing or replacing facilities, equipment, or technologies.

Grant funds may not be used to enhance or increase compensation or other benefits of personnel, administrators, directors, consultants, or any other parties. Grant funds

may not be used to supplant federal funds traditionally received by federally qualified community health centers and may not be used to finance or satisfy any existing debt. The Department of Health and Human Services shall distribute funds on the basis of the availability of other funds for the agency, and also on the basis of incidence of poverty or percentage of indigent clients served. Grant applicants must provide after-hours access in order to qualify for grant funds. The Department shall give preference to those grant applicants demonstrating collaboration with the applicant's community hospital."

EDUCATION ON PREVENTION OF PRETERM BIRTHS

SECTION 10.17. Of the funds appropriated in this act to the Department of Health and Human Services, Division of Public Health, the sum of one hundred fifty thousand dollars ($150,000) for the 2006-2007 fiscal year shall be used to provide education to women on the benefits of progesterone for those who have had preterm births and to purchase medication for eligible minority and low-income women until the medication becomes readily available through the Medicaid Program. The Division of Public Health shall evaluate the impact of the use of these funds and shall share the outcomes of the evaluation with the Division of Medical Assistance, 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.

COMMUNITY-FOCUSED ELIMINATING HEALTH DISPARITIES INITIATIVE

SECTION 10.18. Of funds appropriated in this act to the Department of Health and Human Services for the 2006-2007 fiscal year, the sum of two million dollars ($2,000,000) shall be allocated for the Community-Focused Eliminating Health Disparities Initiative (CFEHDI) to provide grants-in-aid to local public health departments, American Indian tribes, and faith-based and community-based organizations to close the gap in the health status of African-Americans, Hispanics/Latinos, and American Indians as compared to white persons. These grants shall focus on the use of preventive measures to support health lifestyles. The areas of focus on health status shall be infant mortality, HIV-AIDS and sexually transmitted infections, cancer, diabetes, and homicides and motor vehicle deaths. These funds shall also be used to support one FTE in the Department of Health and Human Services to monitor, track, and evaluate grantees' progress in meeting performance-based standards and outcomes established by the Department.

AUTHORIZE ONE NEW POSITION FOR HEALTHY CAROLINIANS INITIATIVE

SECTION 10.18A. The Department of Health and Human Services, Division of Public Health, may use funds appropriated for the 2006-2007 fiscal year to support one new position for the Healthy Carolinians Initiative.

CLARIFICATION OF CERTAIN AUDIT REQUIREMENTS

SECTION 10.19. G.S. 143B-139.4.(b) reads as rewritten:

"(b) A private, nonprofit organization that receives employee assistance or other appropriate services in accordance with subsection (a) of this section, shall document all contributions received, including employee time, supplies, materials, equipment, and physical space. The documentation shall also provide an estimated value of all contributions received as well as any compensation paid to or bonuses received by State employees. This documentation shall be submitted annually to the Secretary of the Department of Health and Human Services in a format approved by the Secretary. Nonprofit organizations with less than five hundred thousand dollars ($500,000) in annual income shall submit an affidavit from the chief officer of the organization providing and attesting to the financial condition of the organization and the expenditure

of funds or use of State employee services or other State services. The board of directors of each private, nonprofit organization with an annual income of five hundred thousand dollars ($500,000) or more shall secure and pay for the services of the State Auditor's Office or employ a certified public accountant to conduct an annual audit of the financial accounts of the organization. The board of directors shall transmit to the Secretary of the Department a copy of the annual financial audit report of the private nonprofit organization. Nothing in this subsection shall be construed to relieve the private, nonprofit organization from other applicable reporting requirements established by law."

AIDS DRUG ASSISTANCE PROGRAM

SECTION 10.21. Section 10.59(a) of S.L. 2005-276 reads as rewritten:

"**SECTION 10.59.(a)** ~~For the 2005-2006 fiscal year and for the 2006-2007 fiscal year, HIV-positive individuals with incomes at or below one hundred twenty-five percent (125%) of the federal poverty level are eligible for participation in ADAP. Eligibility for participation in ADAP during the 2005-2007 fiscal biennium shall not be extended to individuals with incomes above one hundred twenty-five percent (125%) of the federal poverty level.~~For the 2006-2007 fiscal year, the Department may adjust the financial eligibility criterion of the ADAP Program up to an amount not exceeding two hundred fifty percent (250%) of the federal poverty level in order to serve as many eligible North Carolinians living with HIV disease as possible within existing resources plus any new federal resources. If the Department raises the eligibility limit above one hundred twenty-five percent (125%) of the federal poverty level and a waiting list develops as a result, the Department shall give priority on the waiting list to those individuals at or below one hundred twenty-five percent (125%) of the federal poverty level."

TECHNICAL CORRECTION TO LICENSURE FEE LIMITS

SECTION 10.22. G.S. 131E-267 reads as rewritten:

"**§ 131E-267. Fees for departmental review of health care facility construction projects.**

The Department of Health and Human Services shall charge a fee for the review of each health care facility construction project to ensure that project plans and construction are in compliance with State law. The fee shall be charged on a one-time, per-project basis, as follows, and shall not exceed ~~twelve thousand five hundred dollars ($12,500)~~twenty-five thousand dollars ($25,000) for any single project:

Institutional Project	**Project Fee**
Hospitals	$ 300.00 plus $0.20/square foot of project space
Nursing Homes	$ 250.00 plus $0.16/square foot of project space
Ambulatory Surgical Facility	$ 200.00 plus $0.16/square foot of project space
Psychiatric Hospital	$ 200.00 plus $0.16/square foot of project space
Adult Care Home	
7 or more beds	$ 175.00 plus $0.10/square foot of project space

Residential Project	**Project Fee**
Family Care Homes	$ 175.00 flat fee
ICF/MR Group Homes	$ 275.00 flat fee
Group Homes: 1-3 beds	$ 100.00 flat fee
Group Homes: 4-6 beds	$ 175.00 flat fee
Group Homes: 7-9 beds	$ 225.00 flat fee
Other residential:	
More than 9 beds	$ 225.00 plus $0.075/square foot of project space."

CLARIFICATION OF FEES FOR MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE SERVICE FACILITIES

SECTION 10.23. G.S. 122C-23(h) reads as rewritten:

"(h) The Department shall charge facilities licensed under this Chapter ~~that have licensed beds~~ a nonrefundable annual base license fee plus a nonrefundable annual per-bed fee as follows:

Type of Facility	Number of Beds	Base Fee	Per-Bed Fee
Facilities (non ICF/MR):	0 beds	$175.00	$0
~~Facilities (non ICF/MR):~~			
	~~6 of fewer~~ 1 to 6 beds	$250.00	$0
	More than 6 beds	$350.00	$12.50
ICF/MR Only:	~~6 or fewer~~ 1 to 6 beds	$650.00	$0
	More than 6 beds	$650.00	$12.50"

TRANSFER ADVOCACY AND CUSTOMER SERVICE SECTION TO OFFICE OF THE SECRETARY

SECTION 10.24. The Advocacy and Customer Service Section of the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services is transferred to the Office of the Secretary of the Department of Health and Human Services. The transfer has the elements of a Type I transfer as defined in G.S. 143A-6. In addition to its other responsibilities, the Advocacy and Customer Service Section shall assume and carry out the requirements of the Consumer Advocacy Program as established under Article 1A of Chapter 122C of the General Statutes.

AUTHORIZE LOCAL MANAGEMENT ENTITIES TO TRANSFER FUNDS BETWEEN AGE AND DISABILITY CATEGORIES

SECTION 10.25.(a) Notwithstanding G.S. 143-23, an area authority or a county program may transfer from one age or disability category to a different age or disability category up to fifteen percent (15%) of the funds initially allocated to the age or disability category from which funds are being transferred. Prior to the transfer, the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services shall verify that the transfer meets applicable federal requirements. Area authorities and county programs shall:

(1) Publicly document that they have addressed the service needs of the category from which the funds are being transferred before any transfer may occur, and

(2) Submit the required documentation to the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services and to the Fiscal Research Division within 15 days of making the transfer.

SECTION 10.25.(b) This section expires July 1, 2007.

AREA AUTHORITY AND COUNTY PROGRAM CRISIS REGIONS

SECTION 10.26.(a) Using funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, and allocated to area authorities and county programs for this purpose, area authorities and county programs shall organize themselves into no more than 21 crisis regions based upon the existing Geriatric Specialty team configurations or other approved regions. These funds shall be allocated to each area authority or county programs on a per capita basis. The funds may be used for operational start-up, capital, or subsidies related to developing a continuum of crisis services. No more than three percent (3%) may be spent for administrative costs. The area authorities and county program within a crisis region shall work together to identify gaps in their ability to provide a continuum of crisis services for all consumers

and use the funds allocated to them to develop and implement a plan to address those needs. At a minimum, the plan must address the development over time of the following components: 24-hour crisis telephone lines, walk-in crisis services, mobile crisis outreach, crisis respite/residential services, crisis stabilization units, 23-hour beds, facility-based crisis, in-patient crisis and transportation. Options for voluntary admissions to a secured facility must include at least one service appropriate to address the mental health, developmental disability, and substance abuse needs of adults, and the mental health, developmental disability, and substance abuse needs of children. Options for involuntary commitment to a secured facility must include at least one option in addition to admission to a State facility.

If all area authorities and county programs in a crisis region determine that a facility-based crisis center is needed and sustainable on a long-term basis, the crisis region shall attempt to secure those services through a community hospital or other community facility first. If all the area authorities and county programs in the crisis region determine the region's crisis needs are being met, the area authorities and county programs may use the funds to meet local crisis service needs.

SECTION 10.26.(b) Of the funds appropriated in this act for consultant services to aid local management entities and the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, the sum of two hundred twenty-five thousand dollars ($225,000) shall be used for consulting services engaged pursuant to this subsection. Each area authority and county program and each crisis region shall utilize the technical assistance of a consultant under contract with the Department of Health and Human Services to develop and implement its crisis services plan. The consultant shall assist area authorities and county programs and crisis regions to identify local and regional gaps in crisis services, identify options for providing services, implement new services, and maintain transparency and accountability for the use of funds. The crisis region or area authorities and county programs shall submit their crisis services plan to the consultant and to the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (Division) for review and public comment. The crisis regions and area authorities and county programs shall consider the comments prior to submitting a final plan for implementation. Upon submission of a final plan to the Department of Health and Human Services, each crisis region, area authority, and county program will receive implementation funds. Funds not expended during the 2006-2007 fiscal year shall not revert.

Area authorities and county programs and crisis regions shall report monthly to the consultant and to the Division regarding the use of the funds, whether there has been a reduction in the use of State psychiatric hospitals for acute admissions, and remaining gaps in local and regional crisis services. The consultant shall report regularly to the General Assembly, the Fiscal Research Division, and the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services regarding each crisis region's and area authorities' and county programs' proposed and actual use of the funds.

EXTEND SUNSET FOR FIRST COMMITMENT PILOT PROGRAM

SECTION 10.27. S.L. 2003-178 reads as rewritten:

"**SECTION 1.** The Secretary of Health and Human Services may, upon request of a phase-one local management entity, waive temporarily the requirements of G.S. 122C-261 through G.S. 122C-263 and G.S. 122C-281 through G.S. 122C-283 pertaining to initial (first-level) examinations by a physician or eligible psychologist of individuals meeting the criteria of G.S. 122C-261(a) or G.S. 122C-281(a), as applicable, as follows:

(1) The Secretary has received a request from a phase-one local management entity to substitute for a physician or eligible psychologist, a licensed clinical social worker, a masters level psychiatric nurse, or a masters level certified clinical addictions

specialist to conduct the initial (first-level) examinations of individuals meeting the criteria of G.S. 122C-261(a) or G.S. 122C-281(a). The waiver shall be implemented on a pilot-program basis. The request from the local management entity shall be submitted as part of the entity's local business plan and shall specifically describe:

a. How the purpose of the statutory requirement would be better served by waiving the requirement and substituting the proposed change under the waiver.

b. How the waiver will enable the local management entity to improve the delivery or management of mental health, developmental disabilities, and substance abuse services.

c. How the services to be provided by the licensed clinical social worker, the masters level psychiatric nurse, or the masters level certified clinical addictions specialist under the waiver are within each of these professional's scope of practice.

d. How the health, safety, and welfare of individuals will continue to be at least as well protected under the waiver as under the statutory requirement.

(2) The Secretary shall review the request and may approve it upon finding that:

a. The request meets the requirements of this section.

b. The request furthers the purposes of State policy under G.S. 122C-2 and mental health, developmental disabilities, and substance abuse services reform.

c. The request improves the delivery of mental health, developmental disabilities, and substance abuse services in the counties affected by the waiver and also protects the health, safety, and welfare of individuals receiving these services.

d. The duties and responsibilities performed by the licensed clinical social worker, the masters level psychiatric nurse, or the masters level certified clinical addictions specialist are within the individual's scope of practice.

(3) The Secretary shall evaluate the effectiveness, quality, and efficiency of mental health, developmental disabilities, and substance abuse services and protection of health, safety, and welfare under the waiver. The Secretary shall send a report on the evaluation to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substances Abuse Services on or before July 1, 2006.

(4) The waiver granted by the Secretary under this section shall be in effect ~~for a period not to exceed three years, or the period for which the requesting local management entity's business plan is approved, whichever is shorter.~~ until October 1, 2007.

(5) The Secretary may grant a waiver under this section to up to five local management entities that have been designated as phase-one entities as of July 1, 2003.

(6) In no event shall the substitution of a licensed clinical social worker, masters level psychiatric nurse, or masters level certified clinical addictions specialist under a waiver granted under this section be construed as authorization to expand the scope of practice of the licensed clinical social worker, the masters level psychiatric nurse, or the masters level certified clinical addictions specialist.

(7) The Department shall assure that staff performing the duties are trained and privileged to perform the functions identified in the waiver. The Department shall involve stakeholders including, but not limited to, the North Carolina Psychiatric Association, The North Carolina

Nurses Association, National Association of Social Workers, The North Carolina Substance Abuse Professional Certification Board, North Carolina Psychological Association, The North Carolina Society for Clinical Social Work, and the North Carolina Medical Society in developing required staff competencies.

(8) The local management entity shall assure that a physician is available at all times to provide backup support to include telephone consultation and face-to-face evaluation, if necessary.

SECTION 2. This act becomes effective July 1, 2003, and expires ~~July 1, 2006.~~October 1, 2007."

CHANGES TO THE STATE PLAN FOR MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE SERVICES

SECTION 10.28.(a) G.S. 122C-102 reads as rewritten:

"**§ 122C-102. State Plan for Mental Health, Developmental Disabilities, and Substance Abuse ~~Services.~~Services; system performance measures.**

(a) Purpose of State Plan. – The Department shall develop and implement a State Plan for Mental Health, Developmental Disabilities, and Substance Abuse Services. The purpose of the State Plan is to provide a strategic template regarding how State and local resources shall be organized and used to provide services. The State Plan shall be issued every three years beginning July 1, 2007. It shall identify specific goals to be achieved by the Department, area authorities, and county programs over a three-year period of time and benchmarks for determining whether progress is being made towards those goals. It shall also identify data that will be used to measure progress towards the specified goals. In order to increase the ability of the State, area authorities, county programs, private providers, and consumers to successfully implement the goals of the State Plan, the Department shall not adopt or implement policies that are inconsistent with the State Plan without first consulting with the Joint Legislative Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services.

(b) Content of State Plan. – The State Plan shall include the following:

(1) Vision and mission of the State Mental Health, Developmental Disabilities, and Substance Abuse Services system.

~~(2) Organizational structure of the Department and the divisions of the Department responsible for managing and monitoring mental health, developmental disabilities, and substance abuse services.~~

(3) Protection of client rights and consumer involvement in planning and management of system services.

(4) Provision of services to targeted populations, including criteria for identifying targeted populations.

(5) Compliance with federal mandates in establishing service priorities in mental health, developmental disabilities, and substance abuse.

(6) Description of the core services that are available to all individuals in order to improve consumer access to mental health, developmental disabilities, and substance abuse services at the local level.

(7) Service standards for the mental health, developmental disabilities, and substance abuse services system.

(8) Implementation of the uniform portal process.

(9) Strategies and schedules for implementing the service plan, including consultation on Medicaid policy with area and county programs, qualified providers, and others as designated by the Secretary, intersystem collaboration, promotion of best practices, technical assistance, outcome-based monitoring, and evaluation.

(10) A plan for coordination of the State Plan for Mental Health, Developmental Disabilities, and Substance Abuse Services with the Medicaid State Plan, and NC Health Choice.

(11) A business plan to demonstrate efficient and effective resource management of the mental health, developmental disabilities, and substance abuse services system, including strategies for accountability for non-Medicaid and Medicaid services.

(12) Strategies and schedules for implementing a phased in plan to eliminate disparities in the allocation of State funding across county programs and area authorities by January 1, 2007, including methods to identify service gaps and to ensure equitable use of State funds to fill those gaps among all counties.

(c) State Performance Measures. – The State Plan shall also include a mechanism for measuring the State's progress towards increased performance on the following matters: access to services, consumer-focused outcomes, individualized planning and supports, promotion of best practices, quality management systems, system efficiency and effectiveness, and prevention and early intervention. Beginning October 1, 2006, and every six months thereafter, the Secretary shall report to the General Assembly and the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services on the State's progress in these performance areas."

SECTION 10.28.(b) The North Carolina Department of Health and Human Services (DHHS) shall review all State Plans for Mental Health, Developmental Disabilities, and Substance Abuse Services, implemented after July 1, 2001, and before the effective date of this act and produce a single document that contains a cumulative statement of all still applicable provisions of those Plans. This cumulative document shall constitute the State Plan until July 1, 2007.

DHHS and the Secretary shall also identify those provisions in G.S. 122C-112.1, prior State Plans, and directives or communications by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services that must be adopted as administrative rules in order to be enforceable and undertake to adopt those rules.

SECTION 10.28.(c) Independent consultants hired by the Department from funds appropriated in this act for this purpose shall undertake the following tasks:

(1) Assist DHHS with the strategic planning necessary to develop the revised State Plan as required under G.S. 122C-102. The State Plan shall be coordinated with local and regional crisis service plans by area authorities and county programs.

(2) Study and make recommendations to increase the capacity of DHHS to implement system reform successfully and in a manner that maintains strong management functions by area authorities and county programs at the local level.

(3) Assist the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to work with area authorities and county programs to:

a. Develop and implement five to ten critical performance indicators to be used to hold area authorities and county programs accountable for managing the mental health, developmental disabilities, and substance abuse services system. The performance system indicators shall be implemented no later than six months after the consultant's contract is awarded and in no event later than July 1, 2007.

b. Standardize the utilization management functions for Medicaid and non-Medicaid services and for the review and approval of person-centered plans.

c. Develop area authorities' and county programs' expertise to assume utilization management for Medicaid services. The goal shall be to have a portion of the area authorities and county

programs assume that function beginning July 1, 2007, and the remainder to assume the function no later than July 1, 2009.

d. Implement other uniform procedures for the management functions of area authorities and county programs.

(4) Provide technical assistance and oversight to private service providers, area authorities, and county programs to ensure that best practices and new services are being delivered with fidelity to the service definition model.

(5) Provide ongoing and focused technical assistance to area authorities and county programs in the implementation of their administrative and management functions and the establishment and operation of community-based programs. The Secretary shall include in the State Plan a mechanism for monitoring the Department's success in implementing this duty and the progress of area authorities and county programs in achieving these functions.

(6) Assist the Division with implementing standard forms, contracts, processes, and procedures to be used by all area authorities and county programs with other public and private service providers. These processes and procedures shall include standardized denial codes and a standard policy regarding the coordination of benefits. The independent consultant shall consult with area authorities and county programs regarding the development of these forms, contracts, processes, and procedures. Any document or process developed under this subdivision shall place an obligation upon providers to transmit to area authorities and county programs timely client information and outcome data. The independent consultant shall also recommend language regarding what constitutes a clean claim for purposes of billing. When implementing this subdivision, the independent consultant shall balance the need for area authorities and county programs to exercise discretion in the discharge of their management responsibilities with the need of private service providers for a uniform system of doing business with public entities. The independent consultant shall also (i) identify other areas of standardization that may be implemented without undermining the authority of area authorities and county programs, and (ii) identify and eliminate processes and procedures that are duplicative or result in unnecessary paperwork.

FACILITY LICENSURE REQUIREMENTS FOR OUTPATIENT SUBSTANCE ABUSE SERVICES CONSISTENT WITH FACILITY LICENSURE REQUIREMENTS FOR OUTPATIENT MENTAL HEALTH AND DEVELOPMENTAL DISABILITY SERVICES

SECTION 10.29. G.S. 122C-3(14) reads as rewritten:

"**§ 122C-3. Definitions.**

As used in this Chapter, unless another meaning is specified or the context clearly requires otherwise, the following terms have the meanings specified:

...

(14) "Facility" means any person at one location whose primary purpose is to provide services for the care, treatment, habilitation, or rehabilitation of the mentally ill, the developmentally disabled, or substance abusers, and includes:

a. An "area facility", which is a facility that is operated by or under contract with the area authority or county program. For the purposes of this subparagraph, a contract is a contract, memorandum of understanding, or other written agreement whereby the facility agrees to provide services to one or more

clients of the area authority or county program. Area facilities may also be licensable facilities in accordance with Article 2 of this Chapter. A State facility is not an area facility;

b. A "licensable facility", which is a facility that provides services to individuals who are mentally ill, developmentally disabled, or substance abusers for one or more minors or for two or more adults. ~~When the services offered are provided to individuals who are mentally ill or developmentally disabled, these~~ These services shall be day services offered to the same individual for a period of three hours or more during a 24-hour period, or residential services provided for 24 consecutive hours or more. ~~When the services offered are provided to individuals who are substance abusers, these services shall include all outpatient services, day services offered to the same individual for a period of three hours or more during a 24-hour period, or residential services provided for 24 consecutive hours or more.~~ Facilities for individuals who are substance abusers include chemical dependency facilities;

c. A "private facility", which is a facility that is either a licensable facility or a special unit of a general hospital or a part of either in which the specific service provided is not covered under the terms of a contract with an area authority;

d. The psychiatric service of the University of North Carolina Hospitals at Chapel Hill;

e. A "residential facility", which is a 24-hour facility that is not a hospital, including a group home;

f. A "State facility", which is a facility that is operated by the Secretary;

g. A "24-hour facility", which is a facility that provides a structured living environment and services for a period of 24 consecutive hours or more and includes hospitals that are facilities under this Chapter; and

h. A Veterans Administration facility or part thereof that provides services for the care, treatment, habilitation, or rehabilitation of the mentally ill, the developmentally disabled, or substance abusers."

INDEDPENDENT- AND SUPPORTIVE-LIVING APARTMENTS INITIATIVE

SECTION 10.30. The independent and supportive living apartments for persons with disabilities constructed from funds appropriated in this act for that purpose shall be affordable to persons with incomes at the Supplemental Security Income (SSI) level. If the North Carolina Housing Finance Agency is able to finance the apartments for less than the amount appropriated under this section, any remaining funds, as well as any interest earned on the amount appropriated, may be used to finance additional apartments, group homes, and transitional housing for individuals with disabilities.

LME FINANCIAL REPORTS TO COUNTY REVIEWED BY COUNTY FINANCE OFFICERS

SECTION 10.31.(a) G.S. 122C-117(c) reads as rewritten:

"(c) Within 30 days of the end of each quarter of the fiscal year, the area director and finance officer of the area authority shall provide to each member of the board of county commissioners the quarterly report of the area authority. The quarterly report shall also be presented to the county finance officer for review and comment. The clerk to the board of commissioners shall notify the area director and finance officer if it has not received the quarterly report required by this subsection.This information shall be

presented in a format prescribed by the county. At least twice a year, this information shall be presented in person and shall be read into the minutes of the meeting at which it is presented. In addition, the area director or finance officer of the area authority shall provide to the board of county commissioners ad hoc reports as requested by the board of county commissioners."

SECTION 10.31.(b) Article 23 of Chapter 153A of the General Statutes is amended by adding the following new section to read:

"**§ 153A-453. Quarterly reports of Mental Health, Developmental Disabilities, and Substance Abuse Services area authority or county program.**

Quarterly reports by the area director and finance officer of Mental Health, Developmental Disabilities, and Substance Abuse Services area authorities or county programs shall be submitted to the county finance officer as provided under G.S. 122C-117(c)."

LOCAL MANAGEMENT ENTITY ADMINISTRATIVE FUNCTIONS

SECTION 10.32. The Department of Health and Human Services shall recalculate local management entity (LME) systems management allocations for fiscal year 2006-2007 to include funds for each LME to implement 24-hour, seven days a week screening, triage, and referral, and to review, monitor, and comment on all person-centered plans. The Department shall allocate funds appropriated in this act for this purpose to LMEs to implement the functions described in this section.

PORTION OF PROCEEDS FROM ALCOHOL EXCISE TAX DEPOSITED TO TRUST FUND FOR MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE SERVICES AND BRIDGE FUNDING NEEDS

SECTION 10.33.(a) Part 4 of Article 2C of Chapter 105 of the General Statutes is amended by adding a new section to read:

"**§ 105-113.82A. Distribution to the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs.**

After setting aside funds for the distributions required by G.S. 105-113.81A and G.S. 105-113.82, the Secretary shall on a monthly basis distribute to the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs, established under G.S. 143-15.3D, five percent (5%) of the net proceeds of the amount of excise taxes collected under this Article on malt beverages, unfortified wine, fortified wine, and spirituous liquor."

SECTION 10.33.(b) This section becomes effective July 1, 2006, and applies to taxes collected on or after that date.

DISTRIBUTION OF MENTAL HEALTH AND SUBSTANCE ABUSE SERVICES FUNDS

SECTION 10.33A. Funds appropriated in this act for mental health services and substance abuse services shall be allocated to local management entities such that each local management entity receives a percentage of the total allocation that is equal to that local management entity's percentage of the State's total population that is below the federal poverty level.

DEPARTMENT'S DUTY TO PROVIDE TECHNICAL ASSISTANCE TO AREA AUTHORITIES AND COUNTY PROGRAMS

SECTION 10.33B. G.S. 122C-112.1(a)(9) reads as rewritten:

"**§ 122C-112.1. Powers and duties of the Secretary.**

(a) The Secretary shall do all of the following:

...

"(9) ~~Assist~~ Provide ongoing and focused technical assistance to area authorities and county programs in the implementation of their

administrative and management functions and the establishment and operation of community-based programs. The Secretary shall include in the State Plan a mechanism for monitoring the Department's success in implementing this duty and the progress of area authorities and county programs in achieving these functions."

STRENGTHEN LOCAL MANAGEMENT ENTITIES

SECTION 10.33C.(a) G.S. 122C-3 is amended by adding the following new subdivision to read:

"**§ 122C-3. Definitions.**

~~As used in this Chapter, unless another meaning is specified or the context clearly requires otherwise, the following terms have the meanings specified:~~The following definitions apply in this Chapter:

...

(20b) "Local management entity" or "LME" means an area authority, county program, or consolidated human services agency."

SECTION 10.33C.(b) G.S. 122C-111 reads as rewritten:

"**§ 122C-111. Administration.**

The Secretary shall administer and enforce the provisions of this Chapter and the rules of the Commission and shall operate State facilities. An area director or program director shall (i) manage the public mental health, developmental disabilities, and substance abuse system for ~~administer the programs of~~ the area authority or county ~~program, as applicable,~~ program according to the local business plan, and (ii) enforce applicable State laws, rules of the Commission, and rules of the Secretary. The Secretary in cooperation with area and county program directors and State facility directors shall provide for the coordination of public services between area authorities, county programs, and State facilities. The area authority or county program shall monitor the provision of mental health, developmental disability, and substance abuse services for compliance with the law, which monitoring shall not supersede or duplicate the regulatory authority or functions of agencies of the Department."

SECTION 10.33C.(c) G.S. 122C-115.2(a) reads as rewritten:

"**§ 122C-115.2. ~~Business~~ LME business plan required; content, process, certification.**

(a) Every county, through an area authority or county program, shall provide for the development, review, and approval of ~~a~~ an LME business plan for the management and delivery of mental health, developmental disabilities, and substance abuse services. ~~A~~ An LME business plan shall provide detailed information on how the area authority or county program will meet State standards, laws, and rules for ensuring quality mental health, developmental disabilities, and substance abuse services, including outcome measures for evaluating program effectiveness. The business plan shall be in effect for at least three State fiscal years."

SECTION 10.33C.(d) Article 4 of Chapter 122C is amended by adding a new section to read:

"**§ 122C-115.4. Responsibilities of local management entities.**

(a) Local management entities are responsible for the administration and management of the public system of mental health, developmental disabilities, and substance abuse services at the community level. An LME plans, develops, implements, and monitors services within a specified geographic area for both insured and uninsured individuals.

(b) The core functions of an LME include all of the following:

(1) Access for all citizens to core services through the implementation of a 24-hour a day, seven-day a week screening, triage, and referral process and a uniform portal of entry into care.

(2) Provider endorsement, monitoring, technical assistance, and capacity development. An LME may remove as a choice a provider who fails to

meet defined quality criteria or fails to provide data required for monitoring client outcomes.

(3) Utilization review and determination of the appropriate level and intensity of services for all State-funded services, authorization of recipients of services under a Medicaid waiver, review and approval of all person-centered plans, utilization management for all services, care coordination, quality management, and authorization of State psychiatric hospital and other State facility bed days.

(4) Community collaboration and consumer affairs including assurance of rights, appeals, establishment of, and support for an effective consumer and family advisory committee.

(5) Financial management and accountability including information management for the delivery of publicly funded services for mental illness, developmental disabilities, and substance abuse.

(c) An area authority or county program may contract with any public or private entity for the implementation of some or all of the LME responsibilities articulated under this section. A consolidated human services agency may contract with any public or private entity for the implementation of some or all of the LME responsibilities subject to the requirements of G.S. 122C-127. The Secretary may remove one or more of the responsibilities enumerated under subsection (b) of this section only after the Secretary has made an individualized finding that a particular area authority or county program is not providing minimally adequate services under G.S. 122C-124.1 or is in imminent danger of failing financially under G.S. 122C-125. The notice and procedural requirements of G.S. 122C-124.1 and G.S. 122C-125 shall apply to the findings."

SECTION 10.33C.(e) G.S. 122C-118.1 reads as rewritten:

"**§ 122C-118.1. Structure of area board.**

(a) An area board shall have no fewer than 11 and no more than 25 members. In a single-county area authority, the members shall be appointed by the board of county commissioners. Except as otherwise provided, in areas consisting of more than one county, each board of county commissioners within the area shall appoint one commissioner as a member of the area board. These members shall appoint the other members. The boards of county commissioners within the multicounty area shall have the option to appoint the members of the area board in a manner other than as required under this section by adopting a resolution to that effect. The boards of county commissioners in a multicounty area authority shall indicate in the business plan each board's method of appointment of the area board members in accordance with G.S. 122C-115.2(b). These appointments shall take into account sufficient citizen participation, ~~equitable~~ representation of the disability groups, and equitable representation of participating counties. Individuals appointed to the board shall include an individual with financial ~~expertise or~~ expertise, a county finance officer, an individual with expertise in management or business, and an individual representing the interests of children. A member of the board may be removed with or without cause by the initial appointing authority. Vacancies on the board shall be filled by the initial appointing authority before the end of the term of the vacated seat or within 90 days of the vacancy, whichever occurs first, and the appointments shall be for the remainder of the unexpired term.

(b) ~~At least~~ Not more than fifty percent (50%) of the members of the area board shall represent the following:

(1) A physician licensed under Chapter 90 of the General Statutes to practice medicine in North Carolina who, when possible, is certified as having completed a residency in psychiatry.

(2) A clinical professional from the fields of mental health, developmental disabilities, or substance abuse.

(3) ~~A~~ At least one family member or ~~an~~ individual from a citizens' ~~organizations~~ organization composed primarily of consumers or their family members, representing the interests of individuals:
a. With mental illness; ~~and~~
b. In recovery from addiction; ~~and~~ or
c. With developmental disabilities.

(4) ~~Openly~~ At least one openly declared ~~consumers:~~consumer:
a. With mental illness; ~~and~~
b. With developmental ~~disabilities; and~~ disabilities; or
c. In recovery from addiction.

(c) The board of county commissioners may elect to appoint a member of the area authority board to fill concurrently more than one category of membership if the member has the qualifications or attributes of more than one category of membership.

(d) Any member of an area board who is a county commissioner serves on the board in an ex officio capacity. The terms of county commissioners on an area board are concurrent with their terms as county commissioners. The terms of the other members on the area board shall be for ~~four~~ three years, except that upon the initial formation of an area board ~~one-fourth~~ one-third shall be appointed for one year, ~~one-fourth~~ one-third for two years, ~~one-fourth for three years,~~ and all remaining members for ~~four~~ three years. Members ~~other than county commissioners~~ shall not be appointed for more than two consecutive terms. Board members serving as of July 1, 2006, may remain on the board for one additional term.

(e) Upon request, the board shall provide information pertaining to the membership of the board that is a public record under Chapter 132 of the General Statutes."

SECTION 10.33C.(f) G.S. 122C-115.1(g) reads as rewritten:

"(g) In a single-county program, an advisory committee shall be appointed by the board of county commissioners and shall report to the county manager. The appointments shall take into account sufficient citizen participation, equitable representation of the disability groups, and equitable representation of participating counties. ~~At least fifty percent (50%) of the~~ The membership shall conform to the requirements in ~~G.S. 122C-118.1(b)(1)-(4).~~ G.S. 122C-118.1. In a multicounty program, the advisory committee shall be appointed in accordance with the terms of the interlocal agreement."

SECTION 10.33C.(g) G.S. 153A-149(c)(22) reads as rewritten:

"(c) Each county may levy property taxes for one or more of the purposes listed in this subsection up to a combined rate of one dollar and fifty cents ($1.50) on the one hundred dollars ($100.00) appraised value of property subject to taxation. Authorized purposes subject to the rate limitation are:

...

(22) Mental Health. – To provide for the county's share of the cost of maintaining and administering services offered ~~by~~ by, to, or through the area mental health, developmental disabilities, and substance abuse ~~authority.~~ authority or the county program for mental health, developmental disabilities, and substance abuse services."

SECTION 10.33C.(h) G.S. 153A-247 reads as rewritten:

"**§ 153A-247. Provision for public health and mental health.**

A county may provide for and regulate the public health ~~pursuant to~~ under Chapter 130A of the General Statutes and any other law authorizing local public health activities and may provide mental ~~health[,] mental retardation,~~ health, developmental disabilities, and substance abuse ~~programs pursuant to Chapter 122C of the General Statutes.~~programs."

SECTION 10.33C.(i) G.S. 122C-141 is amended by adding a new subsection to read:

"(d) A county may be a qualified public provider and may, under Article 20 of Chapter 160A of the General Statutes, enter into an interlocal agreement with one or more other counties to operate as a qualified public provider."

SECTION 10.33C.(j) G.S. 122C-112.1(a) reads as rewritten:

"**§ 122C-112.1. Powers and duties of the Secretary.**

(a) The Secretary shall do all of the following:

(1) Oversee development of the State Plan for Mental Health, Developmental Disabilities, and Substance Abuse Services.

(2) Enforce the provisions of this Chapter and the rules of the Commission and the Secretary.

(3) Establish a process and criteria for the submission, review, and approval or disapproval of LME business plans submitted by area authorities and counties for the management and provision of mental health, developmental disabilities, and substance abuse services.

(4) Adopt rules specifying the content and format of LME business plans.

(5) Review business plans and, upon approval of the LME business plan, certify the submitting area authority or county program to provide mental health, developmental disabilities, and substance abuse ~~services~~ services in the applicable catchment area.

(6) Establish comprehensive, cohesive oversight and monitoring procedures and processes to ensure continuous compliance by area authorities, county programs, and all providers of public services with State and federal policy, law, and standards. Procedures shall include performance measures and report cards for each area authority and county program.

(7) Conduct regularly scheduled monitoring and oversight of area authority, county programs, and all providers of public services. Monitoring and oversight shall include compliance with the program business plan, core administrative functions, and fiscal and administrative practices and shall also address outcome measures, consumer satisfaction, client rights complaints, and adherence to best practices.

(8) Make findings and recommendations based on information and data collected pursuant to subdivision (7) of this subsection and submit these findings and recommendations to the applicable area authority board, county program director, board of county commissioners, providers of public services, and to the Local Consumer Advocacy Office.

(9) Assist area authorities and county programs in the establishment and operation of community-based programs.

(10) Operate State facilities and adopt rules pertaining to their operation.

(11) Develop a unified system of services provided ~~in area, county, and~~ at the community level, by State facilities, and by providers enrolled or under a contract with the ~~State.~~State and an area authority or county program.

(12) Adopt rules governing the expenditure of all funds for mental health, developmental disabilities, and substance abuse programs and services.

(13) Adopt rules to implement the appeal procedure authorized by G.S. 122C-151.2.

(14) Adopt rules for the implementation of the uniform portal process.

(15) Except as provided in G.S. 122C-26(4), adopt rules establishing procedures for waiver of rules adopted by the Secretary under this Chapter.

(16) Notify the clerks of superior court of changes in the designation of State facility regions and of facilities designated under G.S. 122C-252.

(17) Promote public awareness and understanding of mental health, mental illness, developmental disabilities, and substance abuse.

(18) Administer and enforce rules that are conditions of participation for federal or State financial aid.

(19) Carry out G.S. 122C-361.

(20) Monitor the fiscal and administrative practices of area authorities and county programs to ensure that the programs are accountable to the State for the management and use of federal and State funds allocated for mental health, developmental disabilities, and substance abuse services. The Secretary shall ensure maximum accountability by area authorities and county programs for rate-setting methodologies, reimbursement procedures, billing procedures, provider contracting procedures, record keeping, documentation, and other matters pertaining to financial management and fiscal accountability. The Secretary shall further ensure that the practices are consistent with professionally accepted accounting and management principles.

(21) Provide technical assistance, including conflict resolution, to counties in the development and implementation of area authority and county program business plans and other matters, as requested by the county.

(22) Develop a methodology to be used for calculating county resources to reflect cash and in-kind contributions of the county.

(23) Adopt rules establishing program evaluation and management of mental health, developmental disabilities, and substance abuse services.

(24) Adopt rules regarding the requirements of the federal government for grants-in-aid for mental health, developmental disabilities, or substance abuse programs which may be made available to area authorities or county programs or the State. This section shall be liberally construed in order that the State and its citizens may benefit from the grants-in-aid.

(25) Adopt rules for determining minimally adequate services for purposes of G.S. 122C-124.1 and G.S. 122C-125.

(26) Establish a process for approving area authorities and county programs to provide services directly in accordance with G.S. 122C-141.

(27) Sponsor training opportunities in the fields of mental health, developmental disabilities, and substance abuse.

(28) Enforce the protection of the rights of clients served by State facilities, area authorities, county programs, and providers of public services.

(29) Adopt rules for the enforcement of the protection of the rights of clients being served by State facilities, area authorities, county programs, and providers of public services.

(30) Prior to requesting approval to close a State facility under G.S. 122C-181(b):

a. Notify the Joint Legislative Commission on Governmental Operations, the Joint Legislative Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, and members of the General Assembly who represent catchment areas affected by the closure; and

b. Present a plan for the closure to the members of the Joint Legislative Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Senate Appropriations Committee on Health and Human Services for their review, advice, and recommendations. The plan shall address specifically how

patients will be cared for after closure, how support services to community-based agencies and outreach services will be continued, and the impact on remaining State facilities. In implementing the plan, the Secretary shall take into consideration the comments and recommendations of the committees to which the plan is presented under this subdivision.

(31) Ensure that the State Plan for Mental Health, Developmental Disabilities, and Substance Abuse Services"

CONSUMER AND FAMILY ADVISORY COMMITTEES ESTABLISHED BY AREA AUTHORITIES AND COUNTY PRORAMS

SECTION 10.33D. Article 4 of Chapter 122C is amended by adding a new Part to read:

"Part 4A. Consumer and Family Advisory Committees.

"**§ 122C-170. Local Consumer and Family Advisory Committees.**

(a) Area authorities and county programs shall establish committees made up of consumers and family members to be known as Consumer and Family Advisory Committees (CFACS). A local CFAC shall be a self-governing and a self-directed organization that advises the area authority or county program in its catchment area on the planning and management of the local public mental health, developmental disabilities, and substance abuse services system.

Each CFAC shall adopt bylaws to govern the selection and appointment of its members, their terms of service, the number of members, and other procedural matters. At the request of either the CFAC or the governing board of the area authority or county program, the CFAC and the governing board shall execute an agreement that identifies the roles and responsibilities of each party, channels of communication between the parties, and a process for resolving disputes between the parties.

(b) Each of the disability groups shall be equally represented on the CFAC, and the CFAC shall reflect as closely as possible the racial and ethnic composition of the catchment area. The terms of members shall be three years, and no member may serve more than two consecutive terms. The CFAC shall be composed exclusively of:

(1) Adult consumers of mental health, developmental disabilities, and substance abuse services;

(2) Parents of minor children who are consumers of mental health, developmental disabilities, and substance abuse services; and

(3) Parents of adult children who are severely developmentally disabled.

(c) The CFAC shall undertake all of the following:

(1) Review, comment on, and monitor the implementation of the local business plan.

(2) Identify service gaps and underserved populations.

(3) Make recommendations regarding the service array and monitor the development of additional services.

(4) Review and comment on the area authority or county program budget.

(5) Participate in all quality improvement measures and performance indicators.

(6) Submit to the State Consumer and Advisory Committee findings and recommendations regarding ways to improve the delivery of mental health, developmental disabilities, and substance abuse services.

(d) The director of the area authority or county program shall provide sufficient staff to assist the CFAC in implementing its duties under subsection (c) of this section. The assistance shall include data for the identification of service gaps and underserved populations, training to review and comment on business plans and budgets, procedures to allow participation in quality monitoring, and technical advice on rules of procedure and applicable laws.

"**§ 122C-171. State Consumer and Family Advisory Committee.**

(a) There is established the State Consumer and Advisory Committee (State CAFC). The State CFAC shall be shall be a self-governing and self-directed organization that advises the Department and the General Assembly on the planning and management of the State's public mental health, developmental disabilities, and substance abuse services system.

(b) The State CFAC shall be composed of 21 members. The members shall be composed exclusively of adult consumers of mental health, developmental disabilities, and substance abuse services; parents of minor children who are consumers of mental health, developmental disabilities, and substance abuse services; and parents of adult children who are severely developmentally disabled. The terms of members shall be three years, and no member may serve more than two consecutive terms. Vacancies shall be filled by the appointing authority. The members shall be appointed as follows:

(1) Nine by the Secretary. The Secretary's appointments shall reflect each of the disability groups. The terms shall be staggered so that terms of three of the appointees expire each year.

(2) Three by the General Assembly upon the recommendations of the President Pro Tempore of the Senate, one each of whom shall come from the three State regions for institutional services (Eastern Region, Central Region, and Western Region). The terms of the appointees shall be staggered so that the term of one appointee expires every year.

(3) Three by the General Assembly upon the recommendations of the Speaker of the House of Representatives, one each of whom shall come from the three State regions for institutional services (Eastern Region, Central Region, and Western Region). The terms of the appointees shall be staggered so that the term of one appointee expires every year.

(4) Three by the Council of Community Programs, one each of whom shall come from the three State regions for institutional services (Eastern Region, Central Region, and Western Region). The terms of the appointees shall be staggered so that the term of one appointee expires every year.

(5) Three by the North Carolina Association of County Commissioners, one each of whom shall come from the three State regions for institutional services (Eastern Region, Central Region, and Western Region). The terms of the appointees shall be staggered so that the term of one appointee expires every year.

(c) The State CFAC shall undertake all of the following:

(1) Review, comment on, and monitor the implementation of the State Plan for Mental Health, Developmental Disabilities, and Substance Abuse Services.

(2) Identify service gaps and underserved populations.

(3) Make recommendations regarding the service array and monitor the development of additional services.

(4) Review and comment on the State budget for mental health, developmental disabilities, and substance abuse services.

(5) Participate in all quality improvement measures and performance indicators.

(6) Receive the findings and recommendations by local CFACs regarding ways to improve the delivery of mental health, developmental disabilities, and substance abuse services.

(7) Provide technical assistance to local CFACs in implementing their duties.

(d) The Secretary shall provide sufficient staff to assist the State CFAC in implementing its duties under subsection (c) of this section. The assistance shall include

data for the identification of service gaps and underserved populations, training to review and comment on the State Plan and departmental budget, procedures to allow participation in quality monitoring, and technical advice on rules of procedure and applicable laws.

(e) State CFAC members shall receive the per diem and allowances prescribed by G.S. 138-5 for State boards and commissions."

STRENGTHEN MH/DD/SA PRIVATE PROVIDERS

SECTION 10.33E. G.S. 122C-142(a) reads as rewritten:

"**§ 122C-142. Contract for services.**

(a) When the area authority contracts with persons for the provision of services, ~~the area authority~~ it shall use the standard contract adopted by the Secretary and shall assure that these contracted services meet the requirements of applicable State statutes and the rules of the Commission and the Secretary. However, an area authority or county program may amend the contract to comply with any court-imposed duty or responsibility. Terms of the standard contract shall require the area authority to monitor the contract to assure that rules and State statutes are met. It shall also place an obligation upon the entity providing services to provide to the area authority timely data regarding the clients being served, the services provided, and the client outcomes. The Secretary ~~may~~ shall also monitor contracted services to assure that rules and State statutes are met."

STRENGTHEN ROLE OF JOINT LEGISLATIVE COMMISSION ON MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE SERVICES

SECTION 10.33F.(a) Article 27 of Chapter 120 is amended by adding a new section to read:

"**§ 120-244. Committee authority.**

The Committee may obtain information and data from all State officers, agents, agencies, and departments, while in discharge of its duties, under G.S. 120-19, as if it were a committee of the General Assembly. The provisions of G.S. 120-19.1 through G.S. 120-19.4 shall apply to the proceedings of the Committee as if it were a committee of the General Assembly. Any cost of providing information to the Committee not covered by G.S. 120-19.3 may be reimbursed by the Committee from funds appropriated to it for its continuing study."

SECTION 10.33F.(b) Article 23 of Chapter 120 of the General Statutes is repealed.

SECTION 10.33F.(c) The Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services (LOC) shall study the following issues and report its findings and recommendations to the 2007 Regular Session of the 2007 General Assembly:

(1) Mechanisms to allow area authorities and county programs to purchase bed days from the State psychiatric hospitals. The LOC shall consider options for holding area authorities and county programs accountable for their use of State psychiatric institutions, provide incentives to increase community capacity, and options for ensuring the State institutions have a sufficient funding stream to ensure quality care to patients and a stable and well-qualified workforce.

(2) Whether implementation of a Medicaid 1915(b) waiver on a statewide or expanded local basis would strengthen the ability of area authorities and county programs to manage the mental health, developmental disabilities, and substance abuse system. As part of the study, the LOC shall examine the impact of the waiver on Piedmont Behavioral Health's ability to implement its management functions including utilization management for Medicaid services, consumer satisfaction,

provider monitoring, use of best practices, and any other matters the LOC determines are relevant. If the LOC determines that a Medicaid 1915(b) waiver would improve the management capacity of area authorities and county programs, it shall also examine whether it would be more appropriate to seek a statewide waiver or whether it would be both possible and advisable for additional area authorities and county programs to seek individual waivers.

(3) Whether G.S. 122C-147.1 should be amended to modify or repeal the provisions that place funds appropriated by the General Assembly into broad age and disability categories."

CHILD CARE ALLOCATION FORMULA

SECTION 10.34. Section 10.61(c) of S.L. 2005-276 reads as rewritten:

"**SECTION 10.61.(c)** Notwithstanding subsection (a) of this section, the Department of Health and Human Services shall allocate up to twenty-two million dollars ($22,000,000) in federal block grant funds and State funds appropriated for fiscal years ~~2004-2005~~2005-2006 and ~~2005-2006~~2006-2007 for child care services. These funds shall be allocated to prevent termination of child care services."

CHILD CARE SUBSIDY RATES

SECTION 10.35. Section 10.62(e) of S.L. 2005-276 reads as rewritten:

"**SECTION 10.62.(e)** A market rate shall be calculated for child care centers and homes at each rated license level for each county and for each age group or age category of enrollees and shall be representative of fees charged to ~~unsubsidized privately paying~~ parents for each age group of enrollees within the county. The Division of Child Development shall also calculate a statewide rate and regional market rates for each rated license level for each age category."

PART XI. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

CONSERVATION RESERVE ENHANCEMENT PROGRAM

SECTION 11.1. Funds appropriated to the Department of Environment and Natural Resources for the 2006-2007 fiscal year for the Division of Soil and Water Conservation for the Conservation Reserve Enhancement Program for acquiring conservation easements and leases or for contracts under the Program shall not revert, but shall remain available for these purposes.

AQUARIUM FUNDS

SECTION 11.2. Of the funds appropriated in this act to the Department of Environment and Natural Resources, the sum of two million five hundred thousand dollars ($2,500,000) for the 2006-2007 fiscal year shall be for the Division of Aquariums for the operations of the Division of Aquariums of the Department of Environment and Natural Resources. These funds are in addition to the funding the Division of Aquariums receives from departmental receipts, and the Department of Environment and Natural Resources may use these funds to shift funding for operations of the Division from receipt-support to General Fund support.

GRASSROOTS SCIENCE PROGRAM

SECTION 11.3. Section 12.5 of S.L. 2005-276, as amended by Section 23 of S.L. 2005-345, reads as rewritten:

"**SECTION 12.5.(a)** Of the funds appropriated in this act to the Department of Environment and Natural Resources for the Grassroots Science Program, the sum of three million one hundred ninety-seven thousand seven hundred sixty-two dollars ($3,197,762) for the 2005-2006 fiscal year and the sum of three million eight hundred

VISITOR REGISTRATION SHEET

Senate Appropriations Subcommittee on Health & Human Resources
May 23, 2006

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Vincent Stephens	CMS
C.L. Cochran	ESCP (2001
Fred Waddle	ESCP - (2001
Mary Edwards	DAAS
Dan Rabil	[illegible]
Rebecca Troutman	NCACC
Deborah L Ramsey	NCPHA / NCAHD
Matthew McConnell	Carolinas HealthCare
A. Solari	SMART START
Bill Walker	AARP
Mary Bethea	AARP - NC

VISITOR REGISTRATION SHEET

Senate Appropriations Subcommittee on Health & Human Resources

May 23, 2006

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Roz Savitt	NC Child Care Coalition
TB Lee	NC Med Society
Djamilatou Abdoujaparova	Mapei / Quick Step
Lori Vitz	NCARTCF
Roger Bone	Bone & Assoc
Angie Harris	Hampton Taylor
Janice Freedman	NC Healthy Start Foundation
Henry Jones	Attorney, Raleigh
Sam Hayes	JD, NC, PA
Trent Prather	NCNA
Joanne Stevens	NCNA

VISITOR REGISTRATION SHEET

Senate Appropriations Subcommittee on Health & Human Resources
May 23, 2006

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Karen	Smith Anderson
Barbara Carsley	BSCBR
Lu-Ann Coe	NCPA
Jennifer Wells	Wake Co. Govt
John Bowdish	Astra Zeneca
[illegible]	NCHCFA
[illegible]	NCHCFA
[illegible]	NAMI-NC
Mark Johnson	The Charlotte Observer
Adam Keith	NCGA Staff
[illegible]	

VISITOR REGISTRATION SHEET

Senate Appropriations Subcommittee on Health & Human Resources
May 23, 2006

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
BRIAN SHANK	ASTRAZENECA

VISITOR REGISTRATION SHEET

Senate Appropriations Subcommittee on Health & Human Resources
May 23, 2006
Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Marlowe Foster	NCAHP
Lattie Baker Jr.	ADCHC
Jim Edgerton	AHHC
Lorraine Harris	LAHR
Caroline Reinke	Action for Children
Tom Vaughan	AFC
Ieasia Ryan	DHHS
Wayne Williams	OSBM
Dayden Lyon	OSBM
Kari Barnes	OSBM
Jane Klein	OSBM

VISITOR REGISTRATION SHEET

Senate Appropriations Subcommittee on Health & Human Resources

May 23, 2006

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Pam Kilpatrick	OSBM
Dan Jones	OSBM - Charlotte
Dave Lyon	WSJ
Wayne Yu	Sen Purcell's
Dennis Streets	DHHS, DAAS
Peter Young	APPCNC/MOD/FRLTC
Mark Gibson	Capitol Broadcasting
Melvin Lee	DHHS - DPH
Brian Lewis	Covenant
Allen Dobson	DHHS
Paula A. Hoof	PPAS, El Pueblo

VISITOR REGISTRATION SHEET

Senate Appropriations Subcommittee on Health & Human Resources
May 23, 2006

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Linda Dash	NCHC
Chip Killian	Nelson Mullins
R.b Schofield	NCCNP
Cara Cory	BPMUL
Jennifer Mahan	MHANC/Coalition 7001
Abby Emanuelson	NMSS
Carl Goodwin	OSP
Denise Hennefer	DPH -
Colleen Kochanek	Smith Moore

Senate SFY 2006-07 Mental Health, Developmental [redacted]bility, and Substance Abuse Services Related Items

		Senate Budget			LOC Recommendations		
		Recurring	Non-Recurring	Total	Recurring	Non-Recurring	Total
LOC Related							
HHS	State service collars for Developmental Therapies for individuals with Developmental Disabilities	29,435,119		29,435,119	29,435,119		29,435,119
HHS	State service dollars per capita for Mental Health	8,000,000		8,000,000	21,726,570		21,726,570
HHS	State service dollars per capita for Substance Abuse	8,000,000		8,000,000	21,726,570		21,726,570
HHS	Independent- and Supportive-Living Apartment Initiative - operating cost subsidy	1,205,000		1,205,000		12,050,830	12,050,830
Housing Finance Agency	Independent- and Supportive-Living Apartment Initiative - funds for financing apartments (NC Housing Trust Fund)		11,250,000	11,250,000		11,250,000	11,250,000
HHS	Supportive services funding and start-up funding for HUD-financed apartments and group homes	713,000	370,000	1,083,000	713,000	370,000	1,083,000
Statewide Reserves	Mental Health Trust Fund (Senate budget diverts 5% of alcohol taxes on a recurring basis for the MHTF)	9,390,000	5,000,000	14,390,000		20,000,000	20,000,000
	Hospital debt service	Gov. addressed 06-07 cost in budget			6,206,680		6,206,680
HHS	Start-up funding for crisis services		5,250,000	5,250,000		10,500,000	10,500,000
HHS	State service dollars per capita for crisis services	9,000,000		9,000,000	9,000,000		9,000,000
HHS	Per capita funding for psychiatrist access	9,000,000		9,000,000	9,000,000		9,000,000
UNC System	Funding to North Carolina AHEC Program to recruit psychiatrists	1,000,000		1,000,000	1,000,000		1,000,000
HHS	Consultants		1,125,000	1,125,000		2,125,000	2,125,000
HHS	Local Management Strategic Assistance Team	300,000		300,000	300,000		300,000
HHS	Consumer Advocacy Program	Addressed in special provision			1,200,000		1,200,000
LOC Related Total:		**76,043,119**	**22,995,000**	**99,038,119**	**100,307,939**	**56,295,830**	**156,603,769**
Non-LOC Related							
HHS	Operating funds for ADATCs	5,191,815		5,191,815			
Non-LOC Related Total:		**5,191,815**	**-**	**5,191,815**			
Total:		**81,234,934**	**22,995,000**	**104,229,934**			

5/23/2006

MINUTES

JOINT APPROPRIATIONS SUBCOMMITTEE ON HEALTH AND HUMAN SERVICES

Wednesday, May 24, 2006
3:15 p.m.
Room 643, Legislative Office Building

The Joint Appropriations Subcommittee on Health and Human Services met Wednesday, May 24, 2006 at 3:15 p.m. in Room 643 of the Legislative Office Building. Members present were Representatives Verla Insko, Jean Farmer-Butterfield, Mary Hollo, Bernard Allen, Bob England and Paul Stam. Staff members present were Carol Shaw, Andrea Russo, Natalie Townes and Jennifer Hoffman. A copy of the roll denoting members present is attached to the minutes (Attachment I) along with a copy of the agenda and visitor registration sheet (Attachments II and III).

Rep. Verla Insko, presided, welcomed members and recognized the sergeants-at-arms: Martha Gadison and Earl Coker and pages: Stephanie McKane of Granville County sponsored by Rep. Crawford, Janie Summerfield of Warren County sponsored by Rep. Black, Cenaly from Halifax County sponsored Rep. Black, Claire Brown from Johnson County sponsored by Rep. Daughtry; Keo Masuki from Johnson County sponsored by Rep. Black.

Rep. Insko explained meeting would be an informational only session regarding appropriation bills and that no votes would be taken. Rep. Insko then called upon Rep. Bill Owens to present his bill.

Rep. Owens stated that HB 1804, NCDC Winnie E. Wood Model Learning Center Funds, would appropriate $100,000 to the Northeastern Community Development Corporation. The Northeastern Community Development Corporation is building a $1.4 million facility to provide child care services, continuing education and staff training opportunities, and family support services to residents of Pasquotank County. The $100,000 appropriations requested is to furnish and equip the Center.

Reps. Deborah Ross, Jennifer Weiss and Bernard Allen presented HB 1945, Funds for Wake County Psych. Hospital. Rep. Weiss explained the bill appropriates $10 million to Wake County for the construction of an inpatient psychiatric hospital with 60-100 short term beds for services to replace services now provided by Dix. The total cost of the facility will be approximately $25-30 million. Wake County has committed $15 million in capital funds, the County ABC Board will contribute $5 million, and the County plans to put $5 million into the project for uncompensated care once the facility is open.

Reps. Alice Underhill and William Wainwright presented HB 2123 Craven-Cherry Point Child Center Funds. Rep. Underhill explained the bill appropriates $100,000 to the

Craven-Cherry Point Child Development Center for operating expenses incurred in providing services to developmentally challenged children in the Craven County area. Rep. Wainwright explained the center's funding was impacted due to definition changes associated with mental health reform. It is a 5-star center, but is being reimbursed as a 1-star center. It is critical that money is provided for necessary services.

Rep. Farmer-Butterfield asked the number being served and if they have other sources of revenue.

Rep. Underhill responded that the Center has slots for 49 children and currently the Center is denied the $238 per month for 2 year olds and $229 for 3-5 years old because of the change in the interruption in terminology. The Center received approximately $77,000 from the Craven County Schools to serve 3-5 year olds. The Center also has a contract with Smart Start in the $32,000 range, a food supplement of approximately $6,000, and receives small amount from local businesses.

Rep. Stam asked if the change was due to mental health reform.

Insko responded that this is part of the early intervention population - birth to 5 years old and explained that these children used to be in the mental health system, but now are a part of the public health system. As part of the process, case management and the rates changed. In addition, the Dept of Public Health changed how they evaluate children with alcoholic mothers and victims of abuse and neglect and as a result the eligibility standards are more restrictive.

Rep. Insko called upon Rep. Susan Fisher.

Rep. Susan Fisher presented HB 1921 Women at Risk Funds. Rep. Fisher explained that the bill appropriates $75,000 to the Department of Corrections to provide expansion funding for the Women at Risk program for female offenders in Buncombe and surrounding counties.

Rep. Julia Howard presented HB 2153 Davie Co. Handicapped Workshop Funds. Rep. Howard explained that the bill appropriates $200,000 to build a new facility to house the handicapped adult workshop program which allowed participants the opportunity to contribute to local industries with tasks like packaging and shipping of products to market. The facility where the program is currently housed is no longer safe and needs to be replaced. Davie County and private individuals have committed financial support for the new facility.

Rep. Rick Glazier presented HB 2277 Smart Start Funds. Rep. Glazier explained the bill appropriates $38,600,000 to the Department of Health and Human Services for the purpose of expanding the statewide early childhood initiatives. These funds will restore $38,000,000 in cuts to Smart State funds because of 2002-04 budget situation. Rep. Glazier added that this amount does not take into consideration inflation.

Rep. Farmer-Butterfield asked how many children will benefit statewide. Rep. Glazier responded that if his bill passes, then child care subsidies will be available for an additional 5,400 children in 3, 4 and 5 star facilities. Another 1,600 children will be served at More at Four and 547 additional child care facilities will increase their star rating. It will also allow 3,300 additional child care teachers to pursue their qualified early childhood education course work to improve their skills. In the area of preventive health care, 3,600 women and children will receive prenatal and newborn health care, 2,600 additional children identified with or at risk for special developmental needs will receive resources, and over 8,000 additional children will receive dental care. Rep. Glazier stated that is a minimal of what the $38 million would provide statewide.

Rep. William Wainwright presented HB 2236 Havelock Senior Fitness Funds. Rep. Wainwright explained the bill appropriates $10,500 to the Havelock Communities Improvement Association for use in supporting the senior citizens' fitness program.

Rep. William Wainwright explained that HB 2238 Lenoir Council on Aging Funds appropriates $300,000 to assist in renovating the senior center and expanding programs for area senior citizens. The county has purchased the building, but needs approximately $800,000 in renovations. Fund raising efforts are underway and only $300,000 in appropriations is requested.

Rep. Harold Brubaker presented HB 2350 Funds for Randolph County. This bill appropriates $800,000 to the Randolph County Senior Adults Association, Inc. to assist in developing a new senior adult facility to serve Randolph County.

Rep. Paul Miller presented HB 2376 Funds for TROSA. Rep. Miller explained that this bill appropriates $500,000 to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services. The funds will be allocated to TROSA for comprehensive substance abuse treatment services to approximately 500 North Carolinians over a one-year period. TROSA currently serves 315 people with 100 more people in transition housing. This appropriation will allow 100 more to be served. Rep. Miller noted that 100% of people in this program go onto full time jobs.

Rep. Insko requested Rep. Jean Farmer-Butterfield chair the committee for the next bill. Rep. Farmer-Butterfield called upon Rep. Pricey Harrison to present her bill HB2389 Funds for ADAP.

Rep. Pricey Harrison explained the bill appropriates $5,000,000 to the Department of Health and Human Services, Division of Public Health to be used to support ADAP and to increase the eligibility standard for ADAP to 300% of the federal poverty level.

Rep. Insko resumed as Chair and adjourned the meeting at 4:12 p.m.

Verla Insko
Rep. Verla Insko, Chair

Pamela J. Evans
Pamela J. Evans, Committee Assistant

ATTENDANCE

HOUSE APPROPRIATIONS SUBCOMMITTEE ON HEALTH AND HUMAN SERVICES

DATES	05/24/06														
INSKO, Verla CHAIR	✓														
BARNHART, Jeff CHAIR															
FARMER-BUTTERFIELD, Jean VICE-CHAIR	✓														
HOLLO, Mark VICE-CHAIR	✓														
ALLEN, Bernard	✓														
CURRENT, William															
ENGLAND, Bob	✓														
STAM, Paul	✓														
WRIGHT, Tom	✓														
Ex officio Members															
~~Culpepper, Bill~~															
Cunningham, Pete															
Eddins, Rick															
Hackney, Joe															

House Pages

Name Of Committee: PPP Health & Human Services Date: 5/24/06

1. Name: Stephanie McKain
   County: Granville
   Sponsor: Crawford
2. Name: Jaime N. Somerville
   County: Warren
   Sponsor: Black
3. Name: Zonali Mathiyan
   County: Harnett
   Sponsor: Black
4. Name: Claire Brown
   County: Johnston
   Sponsor: Daughtry
5. Name: Akiko Masuda
   County: Johnston
   Sponsor: Black

Sgt-At-Arms

1. Name: Earles Coker
2. Name: Fred Eimes
3. Name: Frank Prevo
4. Name: Martha Gadison
5. Name:

AGENDA

HOUSE APPROPRIATIONS SUBCOMMITTEE ON HEALTH AND HUMAN SERVICES

May 24, 2006
Room 643 LOB
Immediately After Session

OPENING REMARKS

Representative Verla Insko, Chair

AGENDA ITEMS

H1804 NCDC Winnie E. Wood Model Learning Ctr Funds – Rep. Owens
H1932 Women at Risk Funds – Reps. Sherrill, Fisher, Goforth
H1945 Funds for Wake County Psych. Hospital – Reps. Weiss, Ross, B. Allen
H2123 Craven-Cherry Point Child Center Funds – Reps. Underhill and Wainwright
H2153 Davie Co. Handicapped Workshop Funds – Rep. Howard
H2236 Havelock Senior Fitness Funds – Rep. Wainwright
H2238 Lenoir Council on Aging Funds – Reps. Wainwright and LaRoque
H2277 Smart Start Funds – Reps. Glazier, Jeffus, Wright
H2340 $ Veterans Affairs Nursing Homes – Rep. Goforth
H2350 Funds for Randolph County – Rep. Brubaker
H2376 Funds for TROSA – Reps. Miller and Luebke
H2389 Funds for ADAP – Reps. Harrison, Wright, Insko and Glazier

This will be an informational only session re: appropriation bills – no votes will be taken

ADJOURNMENT

Attachment III

VISITOR REGISTRATION SHEET

APPROPRIATIONS / Health and Human Services — May 24, 2006

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Charlene Carey	N.C. Right to Life
Emma Hodson	WakeMed
Christine Craig	WakeMed
Janice Freedman	NC Healthy Start Foundation
Abby Emanuelson	NMSS
Kellie Visker	AARP
Bill Wilson	AARP
Chris Hollis	PPNS
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]

VISITOR REGISTRATION SHEET

APPROPRIATIONS / Health and Human Services — May 24, 2006

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Kathryn Lavin hc	Sanofi-aventis, US
Sol LARI	SMART START
Jeff Mixon	civititute
Patrick Yancey	APPCNC/FRLTC/MOD
Mary Beth	AARP - NC
[illegible]	[illegible]
Alex Cox	TROSA
[illegible]	Pagmer + Spruill
[illegible]	NCHCFA
Bill McGee	NC HOUSE

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

HOUSE BILL 1804

Short Title:	NCDC Winnie E. Wood Model Learning Ctr Funds.	(Public)
Sponsors:	Representative Owens.	
Referred to:	Appropriations.	

May 9, 2006

A BILL TO BE ENTITLED

AN ACT TO APPROPRIATE FUNDS TO THE NORTHEASTERN COMMUNITY DEVELOPMENT CORPORATION TO FURNISH AND EQUIP THE WINNIE E. WOOD MODEL LEARNING CENTER.

The General Assembly of North Carolina enacts:

SECTION 1. There is appropriated from the General Fund to Northeastern Community Development Corporation, a nonprofit organization, the sum of one hundred thousand dollars ($100,000) for the 2006-2007 fiscal year to furnish and equip the Winnie E. Wood Model Learning Center, a new facility that will provide child care services, continuing education and staff training opportunities, and family support services to residents of Pasquotank County.

SECTION 2. This act becomes effective July 1, 2006.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

HOUSE BILL 1932

Short Title:	Women at Risk Funds.	(Public)
Sponsors:	Representatives Sherrill, Fisher, Goforth (Primary Sponsors); Adams, Insko, Justice, Justus, Preston, and Womble.	
Referred to:	Appropriations.	

May 15, 2006

A BILL TO BE ENTITLED

AN ACT TO APPROPRIATE FUNDS FOR THE WOMEN AT RISK PROGRAM.

The General Assembly of North Carolina enacts:

SECTION 1. There is appropriated from the General Fund to the Department of Correction the sum of seventy-five thousand dollars ($75,000) for the 2006-2007 fiscal year to provide expansion funding for the Women at Risk program for female offenders in Buncombe County and surrounding counties.

SECTION 2. This act becomes effective July 1, 2006.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

HOUSE BILL 1945*

Short Title:	Funds for Wake County Psych. Hospital.	(Public)
Sponsors:	Representatives Weiss, Ross, B. Allen (Primary Sponsors); Capps, Coleman, Dollar, Martin, and Stam.	
Referred to:	Appropriations.	

May 15, 2006

A BILL TO BE ENTITLED

AN ACT TO APPROPRIATE FUNDS TO WAKE COUNTY FOR THE CONSTRUCTION OF AN INPATIENT PSYCHIATRIC HOSPITAL.

The General Assembly of North Carolina enacts:

SECTION 1. There is appropriated from the General Fund to Wake County the sum of ten million dollars ($10,000,000) for 2006-2007 fiscal year for the construction of an inpatient psychiatric hospital.

SECTION 2. This act becomes effective July 1, 2006.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

HOUSE BILL 2123

Short Title:	Craven-Cherry Point Child Center Funds.	(Public)
Sponsors:	Representatives Underhill, Wainwright (Primary Sponsors); and Preston.	
Referred to:	Appropriations.	

May 18, 2006

A BILL TO BE ENTITLED

AN ACT TO APPROPRIATE FUNDS TO THE CRAVEN-CHERRY POINT CHILD DEVELOPMENT CENTER.

The General Assembly of North Carolina enacts:

SECTION 1. There is appropriated from the General Fund to the Craven-Cherry Point Child Development Center, a nonprofit organization, the sum of one hundred thousand dollars ($100,000) for the 2006-2007 fiscal year for operating expenses incurred in providing services to developmentally challenged children in the Craven County area.

SECTION 2. This act becomes effective July 1, 2006.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

HOUSE BILL 2153

Short Title:	Davie Co. Handicapped Workshop Funds.	(Public)
Sponsors:	Representative Howard.	
Referred to:	Appropriations.	

May 18, 2006

A BILL TO BE ENTITLED

AN ACT TO APPROPRIATE FUNDS TO DAVIE COUNTY TO CONSTRUCT A NEW FACILITY TO HOUSE THE HANDICAPPED ADULT WORKSHOP.

Whereas, Davie County has more than 50 handicapped adults who participate in the handicapped adult workshop program; and

Whereas, the program allows the participants the opportunity to contribute to local industries with tasks like the packaging and shipping of products to market; and

Whereas, this program is currently housed in a facility that is no longer safe for use and needs to be replaced; and

Whereas, Davie County and private individuals have committed financial support for the new facility; Now, therefore,

The General Assembly of North Carolina enacts:

SECTION 1. There is appropriated from the General Fund to Davie County the sum of two hundred thousand dollars ($200,000) for the 2006-2007 fiscal year to build a new facility to house the handicapped adult workshop program.

SECTION 2. This act becomes effective July 1, 2006.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

HOUSE BILL 2236

Short Title:	Havelock Senior Fitness Funds.	(Public)
Sponsors:	Representatives Wainwright; Preston and Underhill.	
Referred to:	Appropriations.	

May 22, 2006

A BILL TO BE ENTITLED

AN ACT TO APPROPRIATE FUNDS TO THE HAVELOCK COMMUNITIES IMPROVEMENT ASSOCIATION TO SUPPORT ITS SENIOR CITIZENS' FITNESS PROGRAM.

The General Assembly of North Carolina enacts:

SECTION 1. There is appropriated from the General Fund to the Havelock Communities Improvement Association, a nonprofit organization, the sum of ten thousand five hundred dollars ($10,500) for the 2006-2007 fiscal year for use in supporting the senior citizens' fitness program.

SECTION 2. This act becomes effective July 1, 2006.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

HOUSE BILL 2238*

Short Title:	Lenoir Council on Aging Funds.	(Public)
Sponsors:	Representatives Wainwright and LaRoque (Primary Sponsors).	
Referred to:	Appropriations.	

May 22, 2006

A BILL TO BE ENTITLED

AN ACT TO APPROPRIATE FUNDS TO THE LENOIR COUNCIL ON AGING TO RENOVATE THE SENIOR CENTER AND EXPAND SENIOR CITIZEN PROGRAMS.

The General Assembly of North Carolina enacts:

SECTION 1. There is appropriated from the General Fund to Lenoir County Council on Aging, Inc., a nonprofit organization, the sum of three hundred thousand dollars ($300,000) for the 2006-2007 fiscal year to assist in renovating the senior center and expanding programs for area senior citizens.

SECTION 2. This act becomes effective July 1, 2006.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

HOUSE BILL 2277

Short Title:	Smart Start Funds.	(Public)
Sponsors:	Representatives Glazier, Jeffus, Wright (Primary Sponsors); Adams, Coleman, Faison, Fisher, Gibson, Harrison, Insko, Luebke, McLawhorn, Pate, Wainwright, Warren, Weiss, and Womble.	
Referred to:	Appropriations.	

May 22, 2006

A BILL TO BE ENTITLED

AN ACT APPROPRIATING FUNDS TO THE EARLY CHILDHOOD INITIATIVES (SMART START).

The General Assembly of North Carolina enacts:

SECTION 1. There is appropriated from the General Fund to the Department of Health and Human Services the sum of thirty-eight million six hundred thousand dollars ($38,600,000) for the 2006-2007 fiscal year for the purpose of expanding the statewide early childhood initiatives as established by G.S. 143B-168.

SECTION 2. This act becomes effective July 1, 2006.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

H 1

HOUSE BILL 2340*

Short Title:	$ Veterans Affairs Nursing Homes.	(Public)
Sponsors:	Representatives Goforth; Faison, Fisher, Luebke, Pate, and Weiss.	
Referred to:	Appropriations.	

May 23, 2006

A BILL TO BE ENTITLED

AN ACT TO APPROPRIATE MATCHING FUNDS FOR THE CONSTRUCTION OF VETERANS NURSING HOMES IN ASHEVILLE AND KINSTON.

The General Assembly of North Carolina enacts:

SECTION 1. There is appropriated from the General Fund to the Department of Health and Human Services the sum of eight million seven hundred seventy-three thousand three hundred dollars ($8,773,300) for the 2006-2007 fiscal year. These funds shall be allocated to provide a State match for the construction of two 100-bed nursing homes to provide skilled care for the State's veterans. The nursing homes will be constructed, one in Asheville and the other in Kinston. These funds will match federal funds, thirty-five percent (35%) State funds, sixty-five percent (65%) federal funds.

SECTION 2. This act becomes effective July 1, 2006.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

H 1

HOUSE BILL 2350

Short Title:	Funds for Randolph County.	(Public)
Sponsors:	Representatives Brubaker; and Culp.	
Referred to:	Appropriations.	

May 23, 2006

A BILL TO BE ENTITLED

AN ACT TO APPROPRIATE FUNDS TO THE RANDOLPH COUNTY SENIOR ADULTS ASSOCIATION, INC., TO ASSIST IN DEVELOPING A NEW SENIOR ADULTS FACILITY TO SERVE RANDOLPH COUNTY.

The General Assembly of North Carolina enacts:

SECTION 1. There is appropriated from the General Fund to the Randolph County Senior Adults Association, Inc., the sum of eight hundred thousand dollars ($800,000) for the 2006-2007 fiscal year. These funds shall be used to assist with the development and construction costs for a new Senior Adults Facility to serve Randolph County.

SECTION 2. This act becomes effective July 1, 2006.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

H 1

HOUSE BILL 2376*

Short Title:	Funds for TROSA.	(Public)
Sponsors:	Representatives Miller, Luebke (Primary Sponsors); Harrison and Insko.	
Referred to:	Appropriations.	

May 23, 2006

A BILL TO BE ENTITLED

AN ACT TO APPROPRIATE FUNDS TO THE DEPARTMENT OF HEALTH AND HUMAN SERVICES FOR SUBSTANCE ABUSE TREATMENT SERVICES.

The General Assembly of North Carolina enacts:

SECTION 1. There is appropriated from the General Fund to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, the sum of five hundred thousand dollars ($500,000) for the 2006-2007 fiscal year. These funds shall be allocated to TROSA, Inc. for comprehensive substance abuse treatment services to approximately 500 North Carolinians over a one-year period.

SECTION 2. This act becomes effective July 1, 2006.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

H 1

HOUSE BILL 2389

Short Title:	Funds for ADAP.	(Public)
Sponsors:	Representatives Harrison, Wright, Insko, Glazier (Primary Sponsors); Adams, Alexander, B. Allen, L. Allen, Bordsen, Carney, Coleman, Cunningham, Dickson, Faison, Farmer-Butterfield, Fisher, Gibson, Hackney, Jeffus, Jones, Ed Jones, Lucas, Luebke, Martin, McAllister, McLawhorn, Parmon, Pierce, Saunders, Underhill, Wainwright, Warren, Weiss, Wiley, Womble, and Wray.	
Referred to:	Appropriations.	

May 23, 2006

A BILL TO BE ENTITLED

AN ACT TO APPROPRIATE FUNDS TO THE DEPARTMENT OF HEALTH AND HUMAN SERVICES FOR THE ADAP PROGRAM.

The General Assembly of North Carolina enacts:

SECTION 1. There is appropriated from the General Fund to the Department of Health and Human Services, Division of Public Health, the sum of five million dollars ($5,000,000) for the 2006-2007 fiscal year. These funds shall be used to support ADAP and to increase the eligibility standard for ADAP to three hundred percent (300%) of the federal poverty level.

SECTION 2. This act becomes effective July 1, 2006.

AGENDA

House Appropriations Subcommittee on Health and Human Services

Legislative Office Building – Room 643
Tuesday, May 30, 2006

9:00 AM

Committee Chairmen	*Representative Verla Insko, Co-Chair* *Representative Jeff Barnhart, Co-Chair*
I. Opening Remarks	*Committee Chairmen*
II. Senate Budget • Money Report • Special Provisions	*FRD Staff*
III. Committee Discussion	

MINUTES

HOUSE APPROPRIATIONS SUBCOMMITTEE ON HEALTH AND HUMAN SERVICES

TUESDAY, MAY 30, 2006
9 AM & 4 PM
ROOM 643 LEGISLATIVE OFFICE BUILDING

The House Appropriations subcommittee on Health and Human Services met on Tuesday, May 30, 2006 at 9 am and 4 pm in room 643 of the Legislative Office Building. House members present were Representative Jeff Barnhart, Representative Verla Insko, Co-Chairs; Representative Farmer-Butterfield, Representative Hollo, Vice-Chairs; Representatives B. Allen, Current, England, Stam, and Wright. Members of the NCGA Fiscal Research Division and members of the NC Department of Health and Human Services were present. Visitors signed the visitor registration sheet and it is attached to these minutes.

Representative Barnhart called the meeting to order and presided over the meeting. Representatives Barnhart and Insko commented on the Senate budget.

Carol Shaw from the Fiscal Research Division distributed four handouts on the Senate budget proposals, which are made part of these minutes. Ms. Shaw and her staff reviewed the Money Report and Special Provisions documents and answered questions.

Representative Barnhart ended the meeting at 10 am, to resume at 4 pm to finish discussing the handouts. The committee adjourned at 5 pm.

Representative Jeff Barnhart, Co-Chairman

Pamela Ahlin, Committee Assistant

Attachments:
Agenda
Handouts
Visitor Registration

VISITOR REGISTRATION SHEET

APPROPRIATIONS / Health and Human Services — May 30, 2006

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Brian Shank	AstraZeneca
Lee Hodges	KCCH
Lee Crumpler	NCPA
J Craig [illegible]	UHS
Stacy Flannery	NCHCFA
Barbara Carsten	BSCBR
[illegible]	Smith Anderson
[illegible]	NCSCPS
[illegible]	[illegible]
John Bowdish	AstraZeneca
[illegible]	[illegible]

VISITOR REGISTRATION

~~SIGN UP SHEET TO SPEAK~~

HHS Appropriations Subcommittee — May 30, 2006

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Barbara Canales	BSCOA
Stacy Flannery	NCPHA
Trent Prayton	NCNA
Rebecca Brown	NCACC
[illegible]	DHHC
Richard Nixon	White House
Deborah Brown	NCPNA/NCALHD
[illegible]	GOV OFFICE
[illegible]	AARP-NC
Jane Smith	DSS
Paula A. Wolf	PPHS

VISITOR REGISTRATION SHEET

APPROPRIATIONS / Health and Human Services — May 30, 2006

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Sue Wilson	NCALTCF
Matthew Stone	NCALTCF
Elizabeth Dalton	NCRMA
DAVID BARNES	Poyner Spruill
STEVE KEENE	NC MEDICAL SOCIETY
Tad Wade	DHHS
Tim Bone	Bone & Assoc.
Roger Bone	Bone & Assoc.
Melissa Trantham	NCACC
Lynn Blanchard	AHN
HUGH TILLEY	NCHA

VISITOR REGISTRATION SHEET

APPROPRIATIONS / Health and Human Services — May 30, 2006

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Roz Sawitt	NC Child Care Coalition
Tony Solari	SMART START
Bulson	AARP
Kellie Visker	AARP
Robin Huffman	NC Psychiatric Asso / Coalition 2001
FRED WADDELL	Eastern Band CCP
Jennifer Mahan	Mental Health Assoc. in NC / Coalition 2001
Gill Hintenkeel	Autism Society of NC / Coalition 2001
Dave	The Ark
Abby C. Emanuelson	NMSS
	NAMI-NC

VISITOR REGISTRATION SHEET

APPROPRIATIONS / Health and Human Services — May 30, 2006

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Bob Abbott	NCCSPC
[signature]	ALS Assoc
[signature]	ACP
Janice Freedman	NC Healthy Start Foundation
[signature]	DHHC
Cully Huggins	GOVOffice
Charlene Carey	NC Right to Life
[signature]	AARP - NC
Mary H. Odom	AARP - NC
Karen Bratton	AARP - NC
Louise Fisher	Volunteer Advocate for Mentally Ill - GACPD member

VISITOR REGISTRATION SHEET

APPROPRIATIONS / Health and Human Services — May 30, 2006

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Tom Vitaglione	Action for Children NC
Caroline Reinke	Action for Children NC
Sarah Barham	DHHS / DSS
Jane Smith	DSS
JoAnn Lamm	DHHS/DSS
Lattie Boger	AOC
Joseph Coletti	John Locke Fdn
Deborah Rowe	NCPNA, NCALHD
Chip Killian	Nelson Mullins
Trent Praytor	NCNA
Kari Barsness	OSBM

VISITOR REGISTRATION SHEET

APPROPRIATIONS / Health and Human Services — May 30, 2006

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Daphne Lyon	OSBM
Pam Kilpatrick	OSBM
Debbie Barnes	OSBM
Bob Datta	OSBM
Wayne Williams	OSBM
Don Jones	OSBM
	PPAS
Kevin G. Leonard	LCSR
Bob Hall	
Andy Ellen	NCRMA

VISITOR REGISTRATION SHEET

APPROPRIATIONS / Health and Human Services — May 30, 2006

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Evelyn Hawthorne	EAGLE

VISITOR REGISTRATION

~~SIGN UP SHEET TO SPEAK~~

HHS Appropriations Subcommittee — May 30 2006

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Patricia Young	AARP NC/MOS/FRLTC
Jennifer Mahan	MHANC / Coalition 2001
Mary Beason	Capitol Group
Hugh Tilson	NCAHF
Martha McConnell	Carolinas HealthCare System
Elaine [illegible]	EHSR
Dean Plunkett	NCBWWA
Elizabeth Dalton	NCPHA
Wayne Williams	OSBM
Pam Kilgarlin	OSBM
[illegible]	NCMS
Anne Jo Thorne	NCMS

Senate Special Provisions

Department of Health And Human Services

DHHS

grant pursuant to this section if the member is enrolled as a full-time ~~student.~~undergraduate student or as a licensure student. The member's legislative tuition grant shall not exceed the cost of tuition less any tuition assistance paid by the member's employer.

(d) A legislative tuition grant authorized under ~~G.S. 116-21.2~~ G.S. 116-21.2(a) shall be reduced by twenty-five percent (25%) for any individual student who has completed 140 semester credit hours or the equivalent of 140 semester credit hours."

SECTION 9.13.(f) G.S. 116-21.4(b) reads as rewritten:

"(b) Expenditures made pursuant to G.S. 116-19, 116-20, 116-21.1, or 116-21.2 shall not be used for any student or licensure student who:

(1) Is incarcerated in a State or federal correctional facility for committing a Class A, B, B1, or B2 felony; or

(2) Is incarcerated in a State or federal correctional facility for committing a Class C through I felony and is not eligible for parole or release within 10 years."

SECTION 9.13.(g) G.S. 116-22 is amended by adding a new subdivision to read:

"(1b) 'Licensure student' shall mean a person who:

a. Has a bachelors degree;

b. Is enrolled either full-time or less than full-time in a program intended to result in licensure in teaching or nursing;

c. Attends an institution located in the State; and

d. Qualifies as a resident of North Carolina in accordance with definitions of residency that may from time to time be adopted by the Board of Governors of The University of North Carolina and published in the residency manual of the Board."

PART X. DEPARTMENT OF HEALTH AND HUMAN SERVICES

CHANGE REPORTING DATE OF AGING STUDY COMMISSION

SECTION 10.1. The third paragraph of Section 10.40A.(p) of S.L. 2005-276 reads as rewritten:

"**SECTION 10.40A.(p)**

...

The Department shall submit a progress report to the North Carolina Study Commission on Aging and to the Senate Appropriations Committee on Health and Human Services and to the House of Representatives Subcommittee on Health and Human Services on or before ~~April 1, 2006.~~January 1, 2007.

..."

RATE SETTING FOR CHILD CARING INSTITUTIONS

SECTION 10.2.(a) Section 10.47(b) of S.L. 2005-276 is repealed.

SECTION 10.2.(b) G.S. 110-93.1 is repealed.

SECTION 10.2.(c) G.S. 143B-153(2)d. reads as rewritten:

"**§ 143B-153. Social Services Commission – creation, powers and duties.**

There is hereby created the Social Services Commission of the Department of Health and Human Services with the power and duty to adopt rules and regulations to be followed in the conduct of the State's social service programs with the power and duty to adopt, amend, and rescind rules and regulations under and not inconsistent with the laws of the State necessary to carry out the provisions and purposes of this Article. Provided, however, the Department of Health and Human Services shall have the power and duty to adopt rules and regulations to be followed in the conduct of the State's medical assistance program.

...

(2) The Social Services Commission shall have the power and duty to establish standards and adopt rules and regulations:

...

d. For the payment of State funds to private child-placing agencies as defined in G.S. 131D-10.2(4) and residential child care facilities as defined in G.S. 131D-10.2(13) for care and services provided to children who are in the custody or placement responsibility of a county department of social ~~services; and~~services. The Commission shall establish standardized rates for child caring institutions in this State, which rates shall be updated annually on July 1. Rate-setting recommendations provided by the Office of the State Auditor shall be incorporated into the Department of Social Services' rate-setting methodology; and

...

...."

SECTION 10.2.(d) The effective date for establishing standardized rates for child caring institutions in this State, as enacted in subsection (c) of this section, shall be July 1, 2007.

MEDICAID

SECTION 10.3. Section 10.11 of S.L. 2005-276 reads as rewritten:

"SECTION 10.11.(a) Use of Funds, Allocation of Costs, Other Authorizations.

(1) Use of Funds. – Funds appropriated in this act for services provided in accordance with Title XIX of the Social Security Act (Medicaid) are for both the categorically needy and the medically needy.

(2) Allocation of Nonfederal Cost of Medicaid. – The State shall pay eighty-five percent (85%); the county shall pay fifteen percent (15%) of the nonfederal costs of all applicable services listed in this section. In addition, the State shall pay eighty-five percent (85%); the county shall pay fifteen percent (15%) of the federal Medicare Part D clawback payments under the Medicare Modernization Act of 2004.

(3) Funds for Development and Acquisition of Equipment and Software. – If first approved by the Office of State Budget and Management, the Division of Medical Assistance, Department of Health and Human Services, may use funds that are identified to support the cost of development and acquisition of equipment and software through contractual means to improve and enhance information systems that provide management information and claims processing. The Department of Health and Human Services shall identify adequate funds to support the implementation and first year's operational costs that exceed the currently allocated funds for the new contract for the fiscal agent for the Medicaid Management Information System.

(4) Reports. – Unless otherwise provided, whenever the Department of Health and Human Services is required by this section to report to the General Assembly, the report shall be submitted to the House of Representatives Appropriations Subcommittee for Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division of the Legislative Services Office. Reports shall be submitted on the date provided in the reporting requirement.

SECTION 10.11.(b) Policy. –

(1) Volume purchase plans and single source procurement. – The Department of Health and Human Services, Division of Medical Assistance, may, subject to the approval of a change in the State

Medicaid Plan, contract for services, medical equipment, supplies, and appliances by implementation of volume purchase plans, single source procurement, or other contracting processes in order to improve cost containment.

(2) Cost-containment programs. – The Department of Health and Human Services, Division of Medical Assistance, may undertake cost-containment programs, including contracting for services, preadmissions to hospitals, and prior approval for certain outpatient surgeries before they may be performed in an inpatient setting.

(3) Fraud and abuse. –

a. The Division of Medical Assistance, Department of Health and Human Services, may provide incentives to counties that successfully recover fraudulently spent Medicaid funds by sharing State savings with counties responsible for the recovery of the fraudulently spent funds.

b. For the purposes of investigating and reducing client fraud and abuse, the Department of Health and Human Services, Division of Medical Assistance, shall, unless prohibited by federal law, include in the Medicaid enrollment process the requirement that the applicant for Medicaid consent to or authorize in writing the release of the applicant's medical records for the three years immediately preceding the application for Medicaid benefits. The Department shall obtain and use information from the applicant's medical records in a manner and form that complies with the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), P.L. 104-191, as amended, and that protects the privacy of the information as required by other applicable federal or State law. In addition to fraud and abuse detection, the Department may require the applicant's consent for other purposes permitted by HIPAA and required or authorized by other applicable federal or State law.

(4) Medical policy. –

Unless required for compliance with federal law, the Department shall not change medical policy affecting the amount, sufficiency, duration, and scope of health care services and who may provide services until the Division of Medical Assistance has prepared a five-year fiscal analysis documenting the increased cost of the proposed change in medical policy and submitted it for Departmental review. If the fiscal impact indicated by the fiscal analysis for any proposed medical policy change exceeds three million dollars ($3,000,000) in total requirements for a given fiscal year, then the Department shall submit the proposed policy change with the fiscal analysis to the Office of State Budget and Management and the Fiscal Research Division. The Department shall not implement any proposed medical policy change exceeding three million dollars ($3,000,000) in total requirements for a given fiscal year unless the source of State funding is identified and approved by the Office of State Budget and Management. The Department shall provide the Office of State Budget and Management and the Fiscal Research Division a quarterly report itemizing all medical policy changes with total requirements of less than three million dollars ($3,000,000).

SECTION 10.11.(c) Eligibility. – Eligibility for Medicaid shall be determined in accordance with the following:

(1) Medicaid and Work First Family Assistance, Income Eligibility Standards. – The maximum net family annual income eligibility

standards for Medicaid and Work First Family Assistance and the Standard of Need for Work First Family Assistance shall be as follows:

Categorically Needy-WFFA*		Medically Needy Families and Children	
Family Size	Standard Of Need	Income Level	AA,AB,AD*
1	$4,344	$2,172	$2,900
2	5,664	2,832	3,900
3	6,528	3,264	4,400
4	7,128	3,564	4,800
5	7,776	3,888	5,200
6	8,376	4,188	5,600
7	8,952	4,476	6,000
8	9,256	4,680	6,300

*Work First Family Assistance (WFFA); Aid to the Aged (AA); Aid to the Blind (AB); and Aid to the Disabled (AD).

The payment level for Work First Family Assistance shall be fifty percent (50%) of the standard of need.

These standards may be changed with the approval of the Director of the Budget with the advice of the Advisory Budget Commission.

(2) The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to all elderly, blind, and disabled people who have incomes equal to or less than one hundred percent (100%) of the federal poverty guidelines, as revised each April 1.

(3) The Department of Health and Human Services shall provide Medicaid to 19 and 20-year-olds in accordance with federal rules and regulations.

(4) Pregnant women and children. – The Department of Health and Human Services shall provide coverage to pregnant women and to children according to the following schedule:

a. Pregnant women with incomes equal to or less than one hundred eighty-five percent (185%) of the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits.

b. Effective January 1, 2006, infants under the age of one with family incomes equal to or less than two hundred percent (200%) of the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits.

c. Effective January 1, 2006, children aged one through five with family incomes equal to or less than two hundred percent (200%) of the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits.

d. Children aged six through 18 with family incomes equal to or less than the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits.

e. The Department of Health and Human Services shall provide Medicaid coverage for adoptive children with special or rehabilitative needs regardless of the adoptive family's income.

Services to pregnant women eligible under this subsection continue throughout the pregnancy but include only those related to pregnancy and to those other conditions determined by the Department as

conditions that may complicate pregnancy. In order to reduce county administrative costs and to expedite the provision of medical services to pregnant women, to infants, and to children described in subdivisions (3) and (4) of this subsection, no resources test shall be applied.

(5) The Department of Health and Human Services shall provide Medicaid coverage for family planning services to men and women of childbearing age with family incomes equal to or less than one hundred eight-five percent (185%) of the federal poverty level.

(6) ICF and ICF/MR Work Incentive Allowances. – The Department of Health and Human Services may provide an incentive allowance to Medicaid-eligible recipients of ICF and ICF/MR services, who are regularly engaged in work activities as part of their developmental plan, and for whom retention of additional income contributes to their achievement of independence. The State funds required to match the federal funds that are required by these allowances shall be provided from savings within the Medicaid budget or from other unbudgeted funds available to the Department. The incentive allowances may be as follows:

Monthly Net Wages	**Monthly Incentive Allowance**
$1.00 to $100.99	Up to $50.00
$101.00 to $200.99	$80.00
$201.00 to $300.99	$130.00
$301.00 and greater	$212.00

(7) Medicaid enrollment of categorically needy families with children shall be continuous for one year without regard to changes in income or assets.

(8) For all Medicaid eligibility classifications for which the federal poverty level is used as an income limit for eligibility determination, the income limits will be updated each April 1 immediately following publication of federal poverty guidelines.

(9) When implementing the Supplemental Security Income (SSI) method for considering equity value of income producing property, the Department shall, to the maximum extent possible, employ procedures to mitigate the hardship to Medicaid enrollees occurring from application of the SSI method.

SECTION 10.11.(d) Services and Payment Bases. – Funds appropriated for Medicaid services shall be expended in accordance with the following schedule of services and payment bases. All services and payments are subject to the language at the end of this subsection. This subsection is divided into services that are mandated by federal law, and those that are optional under federal law. Unless otherwise provided, services and payment bases will be as prescribed in the State Plan as established by the Department of Health and Human Services and may be changed with the approval of the Director of the Budget.

Services and payment bases – Mandatory

(1) Hospital inpatient.

(2) Hospital outpatient. – Eighty percent (80%) of allowable costs or a prospective reimbursement plan as established by the Department of Health and Human Services.

(3) Nursing facilities. – Nursing facilities providing services to Medicaid recipients who also qualify for Medicare must be enrolled in the Medicare program as a condition of participation in the Medicaid program. State facilities are not subject to the requirement to enroll in the Medicare program. Residents of nursing facilities who are eligible for Medicare coverage of nursing facility services must be placed in a

Medicare-certified bed. Medicaid shall cover facility services only after the appropriate services have been billed to Medicare. The Division of Medical Assistance shall allow nursing facility providers sufficient time from the effective date of this act to certify additional Medicare beds if necessary. In determining the date that the requirements of this subdivision become effective, the Division of Medical Assistance shall consider the regulations governing certification of Medicare beds and the length of time required for this process to be completed.

(4) Physicians, certified nurse midwife services, nurse practitioners. – Fee schedules as development by the Department of Health and Human Services.

(5) Community Alternative Program, EPSDT Screens. – Payments in accordance with rate schedule developed by the Department of Health and Human Services.

(6) Home health and related services, durable medical equipment. – Payments according to reimbursement plans developed by the Department of Health and Human Services.

(7) Hearing aids. – Wholesale cost plus dispensing fee to provider.

(8) Rural health clinical services. – Provider-based, reasonable cost; non-provider-based, single–cost reimbursement rate per clinic visit.

(9) Family planning. – Negotiated rate for local health departments. For other providers see specific services, e.g. hospitals, physicians.

(10) Independent laboratory and X-ray services. – Uniform fee schedules as developed by the Department of Health and Human Services.

(11) Ambulatory surgical centers.

Services and payment bases – Optional

(12) Private duty nursing, clinic services, prepaid health plans.

(13) Intermediate care facilities for the mentally retarded.

(14) Chiropractors, podiatrists, optometrists, dentists.

(15) Limitations on Dental Coverage. – Dental services shall be provided on a restricted basis in accordance with criteria adopted by the Department to implement this subsection.

(16) Medicare Buy-In. – Social Security Administration premium.

(17) Ambulance services. – Uniform fee schedules as developed by the Department of Health and Human Services. Public ambulance providers will be reimbursed at cost.

(18) Optical supplies. – Payment for materials is made to a contractor in accordance with 42 C.F.R. § 431.54(d). Fees paid to dispensing providers are negotiated fees established by the State agency based on industry charges.

(19) Medicare crossover claims. – The Department shall apply Medicaid medical policy to Medicare claims for dually eligible recipients. The Department shall pay an amount up to the actual coinsurance or deductible or both, in accordance with the State Plan, as approved by the Department of Health and Human Services.

(20) Physical therapy and speech therapy. – Services limited to EPSDT-eligible children. Payments are to be made only to qualified providers at rates negotiated by the Department of Health and Human Services. Physical therapy (including occupational therapy) and speech therapy services are subject to prior approval and utilization review.

(21) Personal care services.

(22) Case management services. – Reimbursement in accordance with the availability of funds to be transferred within the Department of Health and Human Services.

(23) Hospice.

(24) Medically necessary prosthetics or orthotics. – In order to be eligible for reimbursement, providers must be Board certified. Medically necessary prosthetics and orthotics are subject to prior approval and utilization review.

(25) Health insurance premiums.

(26) Medical care/other remedial care. – Services not covered elsewhere in this section include related services in schools; health professional services provided outside the clinic setting to meet maternal and infant health goals; and services to meet federal EPSDT mandates.

(27) Pregnancy-related services. – Covered services for pregnant women shall include nutritional counseling, psychosocial counseling, and predelivery and postpartum home visits by maternity care coordinators and public health nurses.

(28) Drugs. – Reimbursements. Reimbursements shall be available for prescription drugs as allowed by federal regulations plus a professional services fee per month, excluding refills for the same drug or generic equivalent during the same month. Payments for drugs are subject to the provisions of this subdivision or in accordance with the State Plan adopted by the Department of Health and Human Services, consistent with federal reimbursement regulations. Payment of the professional services fee shall be made in accordance with the State Plan adopted by the Department of Health and Human Services, consistent with federal reimbursement regulations. The professional services fee shall be five dollars and sixty cents ($5.60) per prescription for generic drugs and four dollars ($4.00) per prescription for brand-name drugs. Adjustments to the professional services fee shall be established by the General Assembly. In addition to the professional services fee, the Department may pay an enhanced fee for pharmacy services.

Limitations on quantity. – The Department of Health and Human Services may establish authorizations, limitations, and reviews for specific drugs, drug classes, brands, or quantities in order to manage effectively the Medicaid pharmacy program, except that the Department shall not impose limitations on brand-name medications for which there is a generic equivalent in cases where the prescriber has determined, at the time the drug is prescribed, that the brand-name drug is medically necessary and has written on the prescription order the phrase "medically necessary". In addition to the entities listed in subsection (a) of this section, the Department shall report to the Joint Legislative Commission on Governmental Operations on authorizations, limitations, and reviews established under this subparagraph, including limitations on monthly brand-name and generic prescriptions as well as restrictions on the total number of medications. The Department shall submit the report not later than May 1, 2006.

Dispensing of generic drugs. – Notwithstanding G.S. 90-85.27 through G.S. 90-85.31, or any other law to the contrary, under the Medical Assistance Program (Title XIX of the Social Security Act), and except as otherwise provided in this subsection for atypical antipsychotic drugs and drugs listed in the narrow therapeutic index, a prescription order for a drug designated by a trade or brand name shall be considered to be an order for the drug by its established or generic name, except when the prescriber has determined, at the time the drug is prescribed, that the brand-name drug is medically necessary and has written on the prescription order the phrase "medically necessary". An

initial prescription order for an atypical antipsychotic drug or a drug listed in the narrow therapeutic drug index that does not contain the phrase "medically necessary" shall be considered an order for the drug by its established or generic name, except that a pharmacy shall not substitute a generic or established name prescription drug for subsequent brand or trade name prescription orders of the same prescription drug without explicit oral or written approval of the prescriber given at the time the order is filled. Generic drugs shall be dispensed at a lower cost to the Medical Assistance Program rather than trade or brand-name drugs. As used in this subsection, "brand name" means the proprietary name the manufacturer places upon a drug product or on its container, label, or wrapping at the time of packaging; and "established name" has the same meaning as in section 502(e)(3) of the Federal Food, Drug, and Cosmetic Act as amended, 21 U.S.C. § 352(e)(3).

Prior authorization. – The Department of Health and Human Services shall not impose prior authorization requirements or other restrictions under the State Medical Assistance Program on medications prescribed for Medicaid recipients for the treatment of: (i) mental illness, including, but not limited to, medications for schizophrenia, bipolar disorder, and major depressive disorder, or (ii) HIV/AIDS.

(29) Other mental health services. – Unless otherwise covered by this section, coverage is limited to:

a. Services as defined by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services and approved by the Centers for Medicare and Medicaid Services (CMS) when provided in agencies meeting the requirements of the rules established by the Commission for Mental Health, Developmental Disabilities, and Substance Abuse Services and reimbursement is made in accordance with a State Plan developed by the Department of Health and Human Services not to exceed the upper limits established in federal regulations, and

b. For children eligible for EPSDT services provided by:

1. Licensed or certified psychologists, licensed clinical social workers, certified clinical nurse specialists in psychiatric mental health advanced practice, nurse practitioners certified as clinical nurse specialists in psychiatric mental health advanced practice, licensed psychological associates, licensed professional counselors, licensed marriage and family therapists, certified clinical addictions specialists, and certified clinical supervisors, when Medicaid-eligible children are referred by the Community Care of North Carolina primary care physician, a Medicaid-enrolled psychiatrist, or the area mental health program or local management entity, and

2. Institutional providers of residential services as defined by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services and approved by the Centers for Medicare and Medicaid Services (CMS) for children and Psychiatric Residential Treatment Facility services that meet federal and State requirements as defined by the Department.

c. For Medicaid-eligible adults, services provided by licensed or certified psychologists, licensed clinical social workers, certified clinical nurse specialists in psychiatric mental health advanced practice, and nurse practitioners certified as clinical nurse specialists in psychiatric mental health advanced practice, licensed psychological associates, licensed professional counselors, licensed marriage and family therapists, licensed clinical addictions specialists, and licensed clinical supervisors, Medicaid-eligible adults may be self-referred.

d. Payments made for services rendered in accordance with this subdivision shall be to qualified providers in accordance with approved policies and the State Plan. Nothing in sub-subdivision b. or c. of this subdivision shall be interpreted to modify the scope of practice of any service provider, practitioner, or licensee, nor to modify or attenuate any collaboration or supervision requirement related to the professional activities of any service provider, practitioner, or licensee. Nothing in sub-subdivision b. or c. of this subdivision shall be interpreted to require any private health insurer or health plan to make direct third-party reimbursements or payments to any service provider, practitioner, or licensee.

e. The Department of Health and Human Services shall not enroll licensed psychological associates, licensed professional counselors, licensed marriage and family therapists, licensed clinical addiction specialists, and licensed clinical supervisors until all of the following conditions have been met:

1. The fiscal impact of payments to these qualified providers has been projected;
2. Funding for any projected requirements in excess of budgeted Division of Medical Assistance funding has been identified from within State funds appropriated to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to support area mental health programs or county programs, or identified from other sources; and
3. Approval has been obtained from the Office of State Budget and Management to transfer these State or other source funds from the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to the Division of Medical Assistance. Upon approval and implementation, the Department of Health and Human Services shall, on a quarterly basis, provide a status report to the Office of State Budget and Management and the Fiscal Research Division.

Notwithstanding G.S. 150B-21.1(a), the Department of Health and Human Services may adopt temporary rules in accordance with Chapter 150B of the General Statutes further defining the qualifications of providers and referral procedures in order to implement this subdivision. Coverage policy for services defined by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services under sub-subdivisions a. and b.2 of this subdivision shall be established by the Division of Medical Assistance.

SECTION 10.11.(e) Limitations on payments. –

(1) Payment is limited to Medicaid-enrolled providers that purchase a performance bond in an amount not to exceed one hundred thousand dollars ($100,000) naming as beneficiary the Department of Health and Human Services, Division of Medical Assistance, or provide to the Department a validly executed letter of credit or other financial instrument issued by a financial institution or agency honoring a demand for payment in an equivalent amount. The Department may waive or limit the requirements of this paragraph for one or more classes of Medicaid-enrolled providers based on the provider's dollar amount of monthly billings to Medicaid or the length of time the provider has been licensed in this State to provide services. In waiving or limiting requirements of this paragraph, the Department shall take into consideration the potential fiscal impact of the waiver or limitation on the State Medicaid Program. The Department may adopt temporary rules in accordance with G.S. 150B-21.1 as necessary to implement this provision.

(2) Reimbursement is available and may be limited in accordance with federal EPSDT requirements to any one or combination of the following: physicians, clinics, hospital outpatient, optometrists, chiropractors, and podiatrists. Prenatal services, all EPSDT children, emergency rooms, and mental health services subject to independent utilization review are exempt from the visit limitations contained in this paragraph. Exceptions may be authorized by the Department of Health and Human Services where the life of the patient would be threatened without such additional care.

SECTION 10.11.(f) Exceptions and limitations on services; authorization of co-payments and other services.

(1) Exceptions to Service Limitations, Eligibility Requirements, and Payments. – Service limitations, eligibility requirements, and payments bases in this section may be waived by the Department of Health and Human Services, with the approval of the Director of the Budget, to allow the Department to carry out pilot programs for prepaid health plans, contracting for services, managed care plans, or community-based services programs in accordance with plans approved by the United States Department of Health and Human Services or when the Department determines that such a waiver will result in a reduction in the total Medicaid costs for the recipient. The Department of Health and Human Services may proceed with planning and development work on the Program of All-Inclusive Care for the Elderly.

(2) Co-Payment for Medicaid Services. – The Department of Health and Human Services may establish co-payments up to the maximum permitted by federal law and regulation and required by this subsection in order to achieve reductions in the budget in fiscal years 2005-2006 and 2006-2007.

(3) The Department of Health and Human Services shall provide Medicaid coverage for family planning services to men and women of childbearing age with family incomes equal to or less than one hundred eighty-five percent (185%) of the federal poverty level. Of the funds appropriated in this act to the Division of Medical Assistance, the sum of seven hundred fifty thousand dollars ($750,000) for the 2005-2006 fiscal year shall be used to provide the State-match for the family planning demonstration waiver approved by the federal government.

SECTION 10.11.(g) Rules, Reports, and Other Matters. –

(1) Rules. – The Department of Health and Human Services may adopt temporary or emergency rules according to the procedures established in G.S. 150B-21.1 and G.S. 150B-21.1A when it finds that these rules are necessary to maximize receipt of federal funds within existing State appropriations, to reduce Medicaid expenditures, and to reduce fraud and abuse. Prior to the filing of these temporary or emergency rules with the Rules Review Commission and the Office of Administrative Hearings, the Department shall consult with the Office of State Budget and Management on the possible fiscal impact of the temporary or emergency rule and its effect on State appropriations and local governments.

(2) Changes to Medicaid program; reports. – The Department shall report on any change it anticipates making in the Medicaid program that impacts the type or level of service, reimbursement methods, or waivers, any of which require a change in the State Plan or other approval by the Centers for Medicare and Medicaid Services (CMS). The reports shall be provided at the same time they are submitted to CMS for approval. In addition to the entities listed in subsection (a)(4) of this section, the report shall be submitted to the Joint Legislative Health Care Oversight Committee."

~~**SECTION 10.11.(a)** Funds appropriated in this act for services provided in accordance with Title XIX of the Social Security Act (Medicaid) are for both the categorically needy and the medically needy. Funds appropriated for these services shall be expended in accordance with the following schedule of services and payment bases. All services and payments are subject ot the language at the end of this subsection.~~

~~Services and payment bases:~~

~~(1) Hospital inpatient. – Payment for hospital inpatient services will be prescribed in the State Plan as established by the Department of Health and Human Services.~~

~~(2) Hospital outpatient. – Eighty percent (80%) of allowable costs or a prospective reimbursement plan as established by the Department of Health and Human Services.~~

~~(3) Nursing facilities. – Payment for nursing facility services will be prescribed in the State Plan as established by the Department of Health and Human Services. Nursing facilities providing services to Medicaid recipients who also qualify for Medicare must be enrolled in the Medicare program as a condition of participation in the Medicaid program. State facilities are not subject to the requirement to enroll in the Medicare program. Residents of nursing facilities who are eligible for Medicare coverage of nursing facility services must be placed in a Medicare-certified bed. Medicaid shall cover facility services only after the appropriate services have been billed to Medicare. The Division of Medical Assistance shall allow nursing facility providers sufficient time from the effective date of this act to certify additional Medicare beds if necessary. In determining the date that the requirements of this subdivision become effective, the Division of Medical Assistance shall consider the regulations governing certification of Medicare beds and the length of time required for this process to be completed.~~

~~(4) Intermediate care facilities for the mentally retarded. – As prescribed in the State Plan as established by the Department of Health and Human Services.~~

~~(5) Drugs. – Reimbursements. Reimbursements shall be available for prescription drugs as allowed by federal regulations plus a professional~~

~~services fee per month, excluding refills for the same drug or generic equivalent during the same month. Payments for drugs are subject to the provisions of this subdivision or in accordance with the State Plan adopted by the Department of Health and Human Services, consistent with federal reimbursement regulations. Payment of the professional services fee shall be made in accordance with the State Plan adopted by the Department of Health and Human Services, consistent with federal reimbursement regulations. The professional services fee shall be five dollars and sixty cents ($5.60) per prescription for generic drugs and four dollars ($4.00) per prescription for brand name drugs. Adjustments to the professional services fee shall be established by the General Assembly. In addition to the professional services fee, the Department may pay an enhanced fee for pharmacy services.~~

~~Limitations on quantity. The Department of Health and Human Services may establish authorizations, limitations, and reviews for specific drugs, drug classes, brands, or quantities in order to manage effectively the Medicaid pharmacy program, except that the Department shall not impose limitations on brand name medications for which there is a generic equivalent in cases where the prescriber has determined, at the time the drug is prescribed, that the brand name drug is medically necessary and has written on the prescription order the phrase "medically necessary". The Department shall report 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 on authorizations, limitations, and reviews established under this subparagraph, including limitations on monthly brand name and generic prescriptions as well as restrictions on the total number of medications. The Department shall submit the report not later than May 1, 2006.~~

~~Dispensing of generic drugs. Notwithstanding G.S. 90-85.27 through G.S. 90-85.31, or any other law to the contrary, under the Medical Assistance Program (Title XIX of the Social Security Act), and except as otherwise provided in this subsection for atypical antipsychotic drugs and drugs listed in the narrow therapeutic index, a prescription order for a drug designated by a trade or brand name shall be considered to be an order for the drug by its established or generic name, except when the prescriber has determined, at the time the drug is prescribed, that the brand name drug is medically necessary and has written on the prescription order the phrase "medically necessary". An initial prescription order for an atypical antipsychotic drug or a drug listed in the narrow therapeutic drug index that does not contain the phrase "medically necessary" shall be considered an order for the drug by its established or generic name, except that a pharmacy shall not substitute a generic or established name prescription drug for subsequent brand or trade name prescription orders of the same prescription drug without explicit oral or written approval of the prescriber given at the time the order is filled. Generic drugs shall be dispensed at a lower cost to the Medical Assistance Program rather than trade or brand name drugs. As used in this subsection, "brand name" means the proprietary name the manufacturer places upon a drug product or on its container, label, or wrapping at the time of packaging; and "established name" has the same meaning as in section 502(e)(3) of the Federal Food, Drug, and Cosmetic Act as amended, 21 U.S.C. § 352(e)(3).~~

~~Prior authorization. — The Department of Health and Human Services shall not impose prior authorization requirements or other restrictions under the State Medical Assistance Program on medications prescribed for Medicaid recipients for the treatment of: (i) mental illness, including, but not limited to, medications for schizophrenia, bipolar disorder, and major depressive disorder, or (ii) HIV/AIDS.~~

~~(6) Physicians, chiropractors, podiatrists, optometrists, dentists, certified nurse midwife services, nurse practitioners. — Fee schedules as developed by the Department of Health and Human Services. Payments for dental services are subject to the provisions of subsection (g) of this section.~~

~~(7) Community Alternative Program, EPSDT screens. — Payment to be made in accordance with the rate schedule developed by the Department of Health and Human Services.~~

~~(8) Home health and related services, private duty nursing, clinic services, prepaid health plans, durable medical equipment. — Payment to be made according to reimbursement plans developed by the Department of Health and Human Services.~~

~~(9) Medicare Buy-In. — Social Security Administration premium.~~

~~(10) Ambulance services. — Uniform fee schedules as developed by the Department of Health and Human Services. Public ambulance providers will be reimbursed at cost.~~

~~(11) Hearing aids. — Wholesale cost plus a dispensing fee to the provider.~~

~~(12) Rural health clinic services. — Provider-based, reasonable cost; nonprovider-based, single-cost reimbursement rate per clinic visit.~~

~~(13) Family planning. — Negotiated rate for local health departments. For other providers, see specific services, for instance, hospitals, physicians.~~

~~(14) Independent laboratory and X-ray services. — Uniform fee schedules as developed by the Department of Health and Human Services.~~

~~(15) Optical supplies. — Payment for materials is made to a contractor in accordance with 42 C.F.R. § 431.54(d). Fees paid to dispensing providers are negotiated fees established by the State agency based on industry charges.~~

~~(16) Ambulatory surgical centers. — Payment as prescribed in the reimbursement plan established by the Department of Health and Human Services.~~

~~(17) Medicare crossover claims. — By not later than October 1, 2005, the Department shall apply Medicaid medical policy to Medicare claims for dually eligible recipients. The Department shall pay an amount up to the actual coinsurance or deductible or both, in accordance with the State Plan, as approved by the Department of Health and Human Services.~~

~~(18) Physical therapy and speech therapy. — Services limited to EPSDT-eligible children. Payments are to be made only to qualified providers at rates negotiated by the Department of Health and Human Services. Physical therapy (including occupational therapy) and speech therapy services are subject to prior approval and utilization review.~~

~~(19) Personal care services. — Payment in accordance with the State Plan approved by the Department of Health and Human Services.~~

~~(20) Case management services. — Reimbursement in accordance with the availability of funds to be transferred within the Department of Health and Human Services.~~

~~(21) Hospice. – Services may be provided in accordance with the State Plan developed by the Department of Health and Human Services.~~

~~(22) Other mental health services. – Unless otherwise covered by this section, coverage is limited to:~~

~~a. Services as defined by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services and approved by the Centers for Medicare and Medicaid Services (CMS) when provided in agencies meeting the requirements of the rules established by the Commission for Mental Health, Developmental Disabilities, and Substance Abuse Services and reimbursement is made in accordance with a State Plan developed by the Department of Health and Human Services not to exceed the upper limits established in federal regulations, and~~

~~b. For children eligible for EPSDT services provided by:~~

~~1. Licensed or certified psychologists, licensed clinical social workers, certified clinical nurse specialists in psychiatric mental health advanced practice, nurse practitioners certified as clinical nurse specialists in psychiatric mental health advanced practice, licensed psychological associates, licensed professional counselors, licensed marriage and family therapists, certified clinical addictions specialists, and certified clinical supervisors, when Medicaid eligible children are referred by the Community Care of North Carolina primary care physician, a Medicaid enrolled psychiatrist, or the area mental health program or local management entity, and~~

~~2. Institutional providers of residential services as defined by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services and approved by the Centers for Medicare and Medicaid Services (CMS) for children and Psychiatric Residential Treatment Facility services that meet federal and State requirements as defined by the Department.~~

~~c. For Medicaid eligible adults, services provided by licensed or certified psychologists, licensed clinical social workers, certified clinical nurse specialists in psychiatric mental health advanced practice, and nurse practitioners certified as clinical nurse specialists in psychiatric mental health advanced practice, licensed psychological associates, licensed professional counselors, licensed marriage and family therapists, certified clinical addictions specialists, and certified clinical supervisors, Medicaid eligible adults may be self referred.~~

~~d. Payments made for services rendered in accordance with this subdivision shall be to qualified providers in accordance with approved policies and the State Plan. Nothing in sub-subdivision b. or c. of this subdivision shall be interpreted to modify the scope of practice of any service provider, practitioner, or licensee, nor to modify or attenuate any collaboration or supervision requirement related to the professional activities of any service provider, practitioner, or licensee. Nothing in sub-subdivision b. or c. of this subdivision shall be interpreted to require any private health insurer or~~

~~health plan to make direct third-party reimbursements or payments to any service provider, practitioner, or licensee.~~

~~e. The Department of Health and Human Services shall not enroll licensed psychological associates, licensed professional counselors, licensed marriage and family therapists, certified clinical addiction specialists, and certified clinical supervisors until all of the following conditions have been met:~~

~~1. The fiscal impact of payments to these qualified providers has been projected;~~

~~2. Funding for any projected requirements in excess of budgeted Division of Medical Assistance funding has been identified from within State funds appropriated to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to support area mental health programs or county programs, or identified from other sources; and~~

~~3. Approval has been obtained from the Office of State Budget and Management to transfer these State or other source funds from the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to the Division of Medical Assistance. Upon approval and implementation, the Department of Health and Human Services shall, on a quarterly basis, provide a status report to the Office of State Budget and Management and the Fiscal Research Division.~~

~~Notwithstanding G.S. 150B-21.1(a), the Department of Health and Human Services may adopt temporary rules in accordance with Chapter 150B of the General Statutes further defining the qualifications of providers and referral procedures in order to implement this subdivision. Coverage policy for services defined by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services under sub-subdivisions a. and b.2 of this subdivision shall be established by the Division of Medical Assistance.~~

~~(23) Medically necessary prosthetics or orthotics. Reimbursement in accordance with the State Plan approved by the Department of Health and Human Services, except that in order to be eligible for reimbursement, providers must be Board certified not later than July 1, 2005. Medically necessary prosthetics and orthotics are subject to prior approval and utilization review.~~

~~(24) Health insurance premiums. Payments to be made in accordance with the State Plan adopted by the Department of Health and Human Services consistent with federal regulations.~~

~~(25) Medical care/other remedial care. Services not covered elsewhere in this section include related services in schools; health professional services provided outside the clinic setting to meet maternal and infant health goals; and services to meet federal EPSDT mandates. Services addressed by this subdivision are limited to those prescribed in the State Plan as established by the Department of Health and Human Services.~~

~~(26) Pregnancy-related services. Covered services for pregnant women shall include nutritional counseling, psychosocial counseling, and predelivery and postpartum home visits by maternity care coordinators and public health nurses.~~

~~Services and payment bases may be changed with the approval of the Director of the Budget.~~

~~Payment is limited to Medicaid-enrolled providers that purchase a performance bond in an amount not to exceed one hundred thousand dollars ($100,000) naming as beneficiary the Department of Health and Human Services, Division of Medical Assistance, or provide to the Department a validly executed letter of credit or other financial instrument issued by a financial institution or agency honoring a demand for payment in an equivalent amount. The Department may waive or limit the requirements of this paragraph for one or more classes of Medicaid-enrolled providers based on the provider's dollar amount of monthly billings to Medicaid or the length of time the provider has been licensed in this State to provide services. In waiving or limiting requirements of this paragraph, the Department shall take into consideration the potential fiscal impact of the waiver or limitation on the State Medicaid Program. The Department may adopt temporary rules in accordance with G.S. 150B-21.1 as necessary to implement this provision.~~

~~Reimbursement is available for up to 24 visits per recipient per year to any one or combination of the following: physicians, clinics, hospital outpatient, optometrists, chiropractors, and podiatrists. Prenatal services, all EPSDT children, emergency rooms, and mental health services subject to independent utilization review are exempt from the visit limitations contained in this paragraph. Exceptions may be authorized by the Department of Health and Human Services where the life of the patient would be threatened without such additional care.~~

~~**SECTION 10.11.(b)** Allocation of Nonfederal Cost of Medicaid. The State shall pay eighty-five percent (85%); the county shall pay fifteen percent (15%) of the nonfederal costs of all applicable services listed in this section. In addition, the State shall pay eighty-five percent (85%); the county shall pay fifteen percent (15%) of the federal Medicare Part D clawback payments under the Medicare Modernization Act of 2004.~~

~~**SECTION 10.11.(c)** Co-Payment for Medicaid Services. The Department of Health and Human Services may establish co-payments up to the maximum permitted by federal law and regulation and required by this subsection in order to achieve reductions in the budget in fiscal years 2005-2006 and 2006-2007.~~

~~**SECTION 10.11.(d)** Medicaid and Work First Family Assistance, Income Eligibility Standards. The maximum net family annual income eligibility standards for Medicaid and Work First Family Assistance and the Standard of Need for Work First Family Assistance shall be as follows:~~

	~~Categorically Needy~~	~~Medically Needy~~	
	~~WFFA*~~		
~~Family Size~~	~~Standard of Need~~	~~Families and Children Income Level~~	~~AA, AB, AD*~~
~~1~~	~~$4,344~~	~~$2,172~~	~~$2,900~~
~~2~~	~~5,664~~	~~2,832~~	~~3,800~~
~~3~~	~~6,528~~	~~3,264~~	~~4,400~~
~~4~~	~~7,128~~	~~3,564~~	~~4,800~~
~~5~~	~~7,776~~	~~3,888~~	~~5,200~~
~~6~~	~~8,376~~	~~4,188~~	~~5,600~~
~~7~~	~~8,952~~	~~4,476~~	~~6,000~~
~~8~~	~~9,256~~	~~4,680~~	~~6,300~~

~~*Work First Family Assistance (WFFA); Aid to the Aged (AA); Aid to the Blind (AB); and Aid to the Disabled (AD).~~

~~The payment level for Work First Family Assistance shall be fifty percent (50%) of the standard of need.~~

These standards may be changed with the approval of the Director of the Budget with the advice of the Advisory Budget Commission.

SECTION 10.11.(e) The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to all elderly, blind, and disabled people who have incomes equal to or less than one hundred percent (100%) of the federal poverty guidelines, as revised each April 1. This subsection expires December 31, 2005.

SECTION 10.11.(f) ICF and ICF/MR Work Incentive Allowances. The Department of Health and Human Services may provide an incentive allowance to Medicaid-eligible recipients of ICF and ICF/MR facilities who are regularly engaged in work activities as part of their developmental plan and for whom retention of additional income contributes to their achievement of independence. The State funds required to match the federal funds that are required by these allowances shall be provided from savings within the Medicaid budget or from other unbudgeted funds available to the Department. The incentive allowances may be as follows:

Monthly Net Wages	Monthly Incentive Allowance
$1.00 to $100.99	Up to $50.00
$101.00 to $200.99	$80.00
$201.00 to $300.99	$130.00
$301.00 and greater	$212.00.

SECTION 10.11.(g) Dental Coverage Limits. Dental services shall be provided on a restricted basis in accordance with rules adopted by the Department to implement this subsection.

SECTION 10.11.(h) Exceptions to Service Limitations, Eligibility Requirements, and Payments. Service limitations, eligibility requirements, and payments bases in this section may be waived by the Department of Health and Human Services, with the approval of the Director of the Budget, to allow the Department to carry out pilot programs for prepaid health plans, contracting for services, managed care plans, or community-based services programs in accordance with plans approved by the United States Department of Health and Human Services or when the Department determines that such a waiver will result in a reduction in the total Medicaid costs for the recipient. The Department of Health and Human Services may proceed with planning and development work on the Program of All-Inclusive Care for the Elderly.

SECTION 10.11.(i) Volume Purchase Plans and Single Source Procurement. The Department of Health and Human Services, Division of Medical Assistance, may, subject to the approval of a change in the State Medicaid Plan, contract for services, medical equipment, supplies, and appliances by implementation of volume purchase plans, single source procurement, or other contracting processes in order to improve cost containment.

SECTION 10.11.(j) Cost Containment Programs. The Department of Health and Human Services, Division of Medical Assistance, may undertake cost containment programs, including contracting for services, preadmissions to hospitals, and prior approval for certain outpatient surgeries before they may be performed in an inpatient setting.

SECTION 10.11.(k) For all Medicaid eligibility classifications for which the federal poverty level is used as an income limit for eligibility determination, the income limits will be updated each April 1 immediately following publication of federal poverty guidelines.

SECTION 10.11.(l) The Department of Health and Human Services shall provide Medicaid to 19-, 20-, and 21-year-olds in accordance with federal rules and regulations.

SECTION 10.11.(m) The Department of Health and Human Services shall provide coverage to pregnant women and to children according to the following schedule:

~~(1) Pregnant women with incomes equal to or less than one hundred eighty-five percent (185%) of the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits.~~

~~(2) Effective until January 1, 2006, infants under the age of one with family incomes equal to or less than one hundred eighty-five percent (185%) of the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits. Effective January 1, 2006, infants under the age of one with family incomes equal to or less than two hundred percent (200%) of the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits.~~

~~(3) Effective until January 1, 2006, children aged one through five with family incomes equal to or less than one hundred thirty-three percent (133%) of the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits. Effective January 1, 2006, children aged one through five with family incomes equal to or less than two hundred percent (200%) of the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits.~~

~~(4) Children aged six through 18 with family incomes equal to or less than the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits.~~

~~(5) The Department of Health and Human Services shall provide Medicaid coverage for adoptive children with special or rehabilitative needs regardless of the adoptive family's income.~~

~~Services to pregnant women eligible under this subsection continue throughout the pregnancy but include only those related to pregnancy and to those other conditions determined by the Department as conditions that may complicate pregnancy. In order to reduce county administrative costs and to expedite the provision of medical services to pregnant women, to infants, and to children described in subdivisions (3) and (4) of this subsection, no resources test shall be applied.~~

~~**SECTION 10.11.(n)** Medicaid enrollment of categorically needy families with children shall be continuous for one year without regard to changes in income or assets.~~

~~**SECTION 10.11.(o)** The Division of Medical Assistance, Department of Health and Human Services, may provide incentives to counties that successfully recover fraudulently spent Medicaid funds by sharing State savings with counties responsible for the recovery of the fraudulently spent funds.~~

~~**SECTION 10.11.(p)** If first approved by the Office of State Budget and Management, the Division of Medical Assistance, Department of Health and Human Services, may use funds that are identified to support the cost of development and acquisition of equipment and software through contractual means to improve and enhance information systems that provide management information and claims processing. The Department of Health and Human Services shall identify adequate funds to support the implementation and first year's operational costs that exceed the currently allocated funds for the new contract for the fiscal agent for the Medicaid Management Information System.~~

~~**SECTION 10.11.(q)** The Department of Health and Human Services may adopt temporary or emergency rules according to the procedures established in G.S. 150B-21.1 and G.S. 150B-21.1A when it finds that these rules are necessary to maximize receipt of federal funds within existing State appropriations, to reduce Medicaid expenditures, and to reduce fraud and abuse. Prior to the filing of these temporary or emergency rules with the Rules Review Commission and the Office of Administrative Hearings, the Department shall consult with the Office of State Budget and Management on the possible fiscal impact of the temporary or emergency rule and its effect on State appropriations and local governments.~~

SECTION 10.11.(r) The Department shall report to the Fiscal Research Division of the Legislative Services Office and to the House of Representatives Appropriations Subcommittee on Health and Human Services and the Senate Appropriations Committee on Health and Human Services or the Joint Legislative Health Care Oversight Committee on any change it anticipates making in the Medicaid program that impacts the type or level of service, reimbursement methods, or waivers, any of which require a change in the State Plan or other approval by the Centers for Medicare and Medicaid Services (CMS). The reports shall be provided at the same time they are submitted to CMS for approval.

SECTION 10.11.(s) The Department of Health and Human Services shall provide Medicaid coverage for family planning services to men and women of childbearing age with family incomes equal to or less than one hundred eighty-five percent (185%) of the federal poverty level. Of the funds appropriated in this act to the Division of Medical Assistance, the sum of seven hundred fifty thousand dollars ($750,000) for the 2005-2006 fiscal year shall be used to provide the State match for the family planning demonstration waiver approved by the federal government.

SECTION 10.11.(t) For the purposes of determining eligibility for Medical Assistance, the Department of Health and Human Services may apply federal transfer of assets policies, as described in Title XIX, section 1917(c) of the Social Security Act, including the attachment of liens, to (i) life estates purchased by or on behalf of the recipient, other than life estates excluded from countable resources under this section, and (ii) to real property excluded as "income producing", tenancy-in-common, or as nonhomesite property made "income producing" under Title XIX, section 1902(r)(2) of the Social Security Act. The transfer of assets policy shall apply only to an institutionalized individual or the individual's spouse as defined in Title XIX, section 1917(c) of the Social Security Act. The Department shall exclude from countable resources any life estate in real property that is in the recipient's home, is measured by the recipient's life, and is the result of the transfer of a remainder interest.

Federal transfer of assets policies applied to "income producing" real property under Title XIX, section 1902(r)(2) of the Social Security Act shall become effective not earlier than October 1, 2001. Federal transfer of assets policies and attachment of liens applied to real property excluded as tenancy-in-common, or as nonhomesite property made "income producing" in accordance with this subsection shall become effective not earlier than November 1, 2002. Federal transfer of assets policies applied to life estates in accordance with this subsection shall become effective not earlier than October 1, 2005.

SECTION 10.11.(u) When implementing the Supplemental Security Income (SSI) method for considering equity value of income producing property, the Department shall, to the maximum extent possible, employ procedures to mitigate the hardship to Medicaid enrollees occurring from application of the Supplemental Security Income (SSI) method.

SECTION 10.11.(v) Unless required for compliance with federal law, the Department shall not change medical policy affecting the amount, sufficiency, duration, and scope of health care services and who may provide services until the Division of Medical Assistance has prepared a five-year fiscal analysis documenting the increased cost of the proposed change in medical policy and submitted it for Departmental review. If the fiscal impact indicated by the fiscal analysis for any proposed medical policy change exceeds three million dollars ($3,000,000) in total requirements for a given fiscal year, then the Department shall submit the proposed policy change with the fiscal analysis to the Office of State Budget and Management and the Fiscal Research Division. The Department shall not implement any proposed medical policy change exceeding three million dollars ($3,000,000) in total requirements for a given fiscal year unless the source of State funding is identified and approved by the Office of State Budget and Management. The Department shall provide the Office of State Budget and

~~Management and the Fiscal Research Division a quarterly report itemizing all medical policy changes with total requirements of less than three million dollars ($3,000,000).~~

~~**SECTION 10.11.(w)** The Department shall develop, amend, and adopt medical coverage policy in accordance with the following:~~

~~(1) During the development of new medical coverage policy or amendment to existing medical coverage policy, consult with and seek the advice of the Physician Advisory Group of the North Carolina Medical Society and other organizations the Secretary deems appropriate. The Secretary shall also consult with and seek the advice of officials of the professional societies or associations representing providers who are affected by the new medical coverage policy or amendments to existing medical coverage policy.~~

~~(2) At least 45 days prior to the adoption of new or amended medical coverage policy, the Department shall:~~

~~a. Publish the proposed new or amended medical coverage policy on the Department's Web site;~~

~~b. Notify all Medicaid providers of the proposed, new, or amended policy; and~~

~~c. Upon request, provide persons copies of the proposed medical coverage policy.~~

~~(3) During the 45-day period immediately following publication of the proposed new or amended medical coverage policy, accept oral and written comments on the proposed new or amended policy.~~

~~(4) If, following the comment period, the proposed new or amended medical coverage policy is modified, then the Department shall, at least 15 days prior to its adoption:~~

~~a. Notify all Medicaid providers of the proposed policy;~~

~~b. Upon request, provide persons notice of amendments to the proposed policy; and~~

~~c. Accept additional oral or written comments during this 15-day period.~~

~~**SECTION 10.11.(x)** For the purposes of investigating and reducing client fraud and abuse, the Department of Health and Human Services, Division of Medical Assistance, shall, unless prohibited by federal law, include in the Medicaid enrollment process the requirement that the applicant for Medicaid consent to or authorize in writing the release of the applicant's medical records for the three years immediately preceding the application for Medicaid benefits. The Department shall obtain and use information from the applicant's medical records in a manner and form that complies with the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), P.L. 104-191, as amended, and that protects the privacy of the information as required by other applicable federal or State law. In addition to fraud and abuse detection, the Department may require the applicant's consent for other purposes permitted by HIPAA and required or authorized by other applicable federal or State law.~~

~~**SECTION 10.11.(y)** The Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services shall provide an opportunity for interested advocacy organizations to comment on restrictions imposed by the Department of Health and Human Services, Division of Medical Assistance, on the medications prescribed for Medicaid recipients, as authorized under subsection (a)(5) of this section. The Committee may report its findings or recommendations based on comments received to 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 on or before April 30, 2006.~~"

PROCEDURES FOR CHANGES TO DHHS MEDICAL POLICY

SECTION 10.4. Article 2 of Chapter 108A of the General Statutes is amended by adding the following new section to read:

"**§ 108A-54.2. Procedures for changing medical policy.**

The Department shall develop, amend, and adopt medical coverage policy in accordance with the following:

(1) During the development of new medical coverage policy or amendment to existing medical coverage policy, consult with and seek the advice of the Physician Advisory Group of the North Carolina Medical Society and other organizations the Secretary deems appropriate. The Secretary shall also consult with and seek the advice of officials of the professional societies or associations representing providers who are affected by the new medical coverage policy or amendments to existing medical coverage policy.

(2) At least 45 days prior to the adoption of new or amended medical coverage policy, the Department shall:

a. Publish the proposed new or amended medical coverage policy on the Department's Web site;

b. Notify all Medicaid providers of the proposed, new, or amended policy; and

c. Upon request, provide persons copies of the proposed medical coverage policy.

(3) During the 45-day period immediately following publication of the proposed new or amended medical coverage policy, accept oral and written comments on the proposed new or amended policy.

(4) If, following the comment period, the proposed new or amended medical coverage policy is modified, then the Department shall, at least 15 days prior to its adoption:

a. Notify all Medicaid providers of the proposed policy;

b. Upon request, provide persons notice of amendments to the proposed policy; and

c. Accept additional oral or written comments during this 15-day period."

TRANSFER OF ASSETS REWRITE

SECTION 10.5.(a) G.S. 108A-58 is repealed.

SECTION 10.5.(b) Part 6 of Article 2 of Chapter 108A of the General Statutes is amended by adding the following new section to read:

"**§ 108A-58.1. Ineligibility for medical assistance based on transferring assets for less than fair market value.**

(a) General rule. – Except as otherwise provided herein, an individual who is otherwise eligible to receive medical assistance under this Part is ineligible for Medicaid coverage and payment for the services specified in subsection (d) during the period specified in subsection (c) if the individual or the individual's spouse transfers an asset for less than fair market value on or after the "lookback date" specified in subsection (b).

(b) Lookback date. –

(1) Except as otherwise provided herein, the lookback date is the date specified in 42 U.S.C. § 1396p(c)(1)(B).

(2) Notwithstanding subdivision (1), the lookback date with respect to the medical services specified in subdivision (d)(2) is the date specified in 42 U.S.C. § 1396p(c)(1)(B) or February 1, 2003, whichever is later.

(c) Penalty period. – The penalty period for the transfer of assets for less than fair market value is the period specified in 42 U.S.C. § 1396p(c)(1)(D), (E), and (H).

(d) Medical services. –

(1) In the case of an institutionalized individual, the transfer of assets penalty applies with respect to nursing facility services, a level of care in any institution equivalent to that of nursing facility services, and to home or community-based services furnished under the State's Community Alternatives Program waiver pursuant to 42 U.S.C. § 1396n(c) or (d).

(2) In the case of a noninstitutionalized individual, the transfer of assets penalty applies with respect to home health services and personal care services as defined in 42 U.S.C. § 1396d(a)(7) and (24) and, to the extent permitted by federal law, such other long-term care services specified by rules adopted by the Department of Health and Human Services pursuant to subsection (k) of this section.

(e) Assets. – Assets are the income and resources of an individual or the individual's spouse (including the individual's or spouse's home) as defined in 42 U.S.C. § 1396p(h) and 42 U.S.C. § 1396p(c)(1)(G), (I), and (J).

(f) Fair market value and uncompensated value. –

(1) The fair market value of an asset is the value (minus any valid and legally enforceable liens, mortgages, and encumbrances against the asset) that would have been received if the asset had been sold for good and valuable consideration at the prevailing market price at the time the asset was transferred. In the case of real or personal property that is taxable under Subchapter II of Chapter 105 of the General Statutes, there is a rebuttable presumption that the fair market value of the property is its most recent value as ascertained under Subchapter II of Chapter 105 of the General Statutes (minus any valid and legally enforceable liens, mortgages, and encumbrances against the property).

(2) The uncompensated value of an asset is its fair market value minus the amount of good and valuable consideration received in exchange for the asset's transfer.

(g) Individual. – An individual is a person who applies for or is receiving medical assistance under this Part regardless of whether the person was, at the time an asset was transferred, a Medicaid applicant or recipient. The term "individual" also includes an individual's legal representative, anyone acting at the individual's direction or request, and any person, agency, or court acting lawfully on behalf of the individual.

(h) Institutionalized and noninstitutionalized individuals. –

(1) An institutionalized individual is an individual who meets the criteria set forth in 42 U.S.C. § 1396p(h)(3), regardless of whether the individual was institutionalized at the time an asset was transferred.

(2) A noninstitutionalized individual is any individual who (i) is not an institutionalized individual, (ii) is an aged, blind, or disabled person who is categorically or medically needy pursuant to 42 C.F.R. § 435. § 120 or a qualified Medicare beneficiary as defined in 42 U.S.C. § 1396d(p)(1), and (3) is not eligible for medical assistance under this Part based on his or her eligibility for an optional State supplement pursuant to 42 C.F.R. § 435.232.

(i) Exceptions. –

(1) This section does not apply if an individual establishes by the greater weight of the evidence that the transfer was exclusively for some purpose other than establishing or retaining eligibility for medical assistance under this Part.

(2) This section does not apply to any transfer specified in 42 U.S.C. § 1396p(c)(2)(A), (B), (C)(i), or (C)(iii).

(j) Hardship waiver. – The Department of Health and Human Services shall waive a transfer of assets penalty that has been imposed or is imposable under this

section if the Department determines that imposition of the penalty would create an undue hardship.

(k) Rules and compliance with federal law.–

(1) This section shall be interpreted and administered consistently with governing federal law, including 42 U.S.C. § 1396p(c).

(2) The Department of Health and Human Services shall determine and publish at least annually the average monthly cost of nursing facility services for private patients that will be used in determining the length of a penalty period under this section.

(3) The Department of Health and Human Services shall provide for a hardship waiver process in accordance with 42 U.S.C. § 1396p(c)(2)(D).

(4) The Department of Health and Human Services may adopt administrative rules that are necessary and appropriate to implement this section or the requirements of 42 U.S.C. § 1396p(c) or other federal laws governing the transfer of assets and Medicaid eligibility."

SECTION 10.5.(c) This section is effective when it becomes law. This section does not affect the validity of any Medicaid transfer of assets penalty that was validly imposed before the date this act becomes law under prior federal or state law or rules.

MEDICAID DUALLY ELIGIBLE TO ENROLL IN MEDICARE PARTS A,B,C, D

SECTION 10.6. G.S. 108A-55.1 reads as rewritten:

"**§ 108A-55.1. Medicare enrollment required.**

The Department shall require State Medical Assistance Program recipients who qualify for Medicare to enroll in Medicare, in accordance with Title XIX of the Social Security Act, in order to pay medical expenditures that qualify for payment under Medicare ~~Part B.~~ Parts A, B, C, and D.

Failure to enroll in Medicare shall result in nonpayment of these expenditures under the State Medical Assistance Program. A provider may seek payment for services from Medicaid enrollees who are eligible for but not enrolled in Medicare ~~Part B~~ Parts A, B, C, and D."

MEDICAID RESERVE FUND TRANSFER

SECTION 10.7.(a) Of the funds transferred to the Department of Health and Human Services for Medicaid programs pursuant to G.S. 143-23.2, the sum of fifty million dollars ($50,000,000) for the 2006-2007 fiscal year shall be allocated as prescribed by G.S. 143-23.2(b) for Medicaid programs. Notwithstanding the prescription in G.S. 143-23.2(b) that these funds not reduce State general revenue funding, these funds shall replace the reduction in general revenue funding effected in this act.

SECTION 10.7.(b) Of the funds transferred to the Department of Health and Human Services for Medicaid programs pursuant to G.S. 143-23.2, the sum of five million four thousand five hundred four dollars ($5,004,504) for the 2006-2007 fiscal year shall be allocated as prescribed by G.S. 143-23.2(b) for the implementation of the Medicaid Management Information System (MMIS).

REQUIRED DATA SHARING BY PRIVATE HEALTH INSURERS

SECTION 10.8. Part 1 of Article 50 of Chapter 58 of the General Statutes is amended by adding the following new section to read:

"**§ 58-50-46. Insurers to provide certain information to Department of Health and Human Services.**

(a) As used in this section, the terms:

(1) 'Department' means the Department of Health and Human Services.

(2) 'Division' means the Division of Medical Assistance of the Department of Health and Human Services.

(3) 'Health insurer' includes self-insured plans, group health plans (as defined in section 607(1) of the Employee Retirement Income Security Act of 1974, [29 USC Section 1167(1)]), service benefit plans, managed care organizations, or other parties that are, by statute, contract, or agreement, legally responsible for payment of a claim for a health care item or service as a condition of doing business in the State.

(4) 'Medical assistance' means medical assistance benefits provided under the State Medical Assistance Plan.

(b) Health insurers, and pharmacy benefit managers regulated as third-party administrators under Article 56 of Chapter 58 of the General Statutes, shall provide, with respect to individuals who are eligible for, or are provided, medical assistance, upon request of the Division, information to determine during what period the individual or the individual's spouse or dependents may be (or may have been) covered by a health insurer and the nature of the coverage that is or was provided by the health insurer (including the name, address, and identifying number of the plan) in a manner prescribed by the Division. Notwithstanding any other provision of law, every insurer issuing a health benefit plan shall provide, not more frequently than twelve times in a year and at no cost, to the Department of Health and Human Services, upon its request, information, including automated data matches conducted under the direction of the Department of Health and Human Services, Division of Medical Assistance, as necessary to (i) identify individuals covered under the insurer's health benefit plans who are also recipients of medical assistance; (ii) determine the period during which the individual or the individual's spouses or the individual's dependents may be or may have been covered by the health benefit plan; and (iii) determine the nature of the coverage. To facilitate the Division in obtaining this and other related information, every health insurer shall:

(1) Cooperate with the Division to determine whether a named individual who is a recipient of medical assistance may be covered under the insurer's health benefit plan and eligible to receive benefits under the health benefit plan for services provided under the State Medical Assistance Plan.

(2) Respond to the request for information within 90 working days after receipt of written proof of loss or claim for payment for health care services provided to a recipient of medical assistance who is covered by the insurer's health benefit plan.

(3) Accept the Division's right of recovery and the assignment to the Division of any right of an individual or other entity to payment from the party for an item or service for which payment has been made under the State Medical Assistance Plan.

(4) Respond to any inquiry by the Division regarding a claim for payment for any health care item or service that is submitted not later than three years after the date of the provision of the health care item or service.

(5) Agree not to deny a claim submitted by the Division solely on the basis of the date of submission of the claim, the type of format of the claim form, or a failure to present property documentation at the point-of-sale that is the basis of the claim, if:

a. The claim is submitted by the Division within the three-year period beginning on the date on which the item or service was furnished; and

b. Any action by the Division to enforce its rights with respect to such claim is commenced within six years of the Division's submission of the claim.

(c) An insurer that complies with this section shall not be liable on that account in any civil or criminal actions or proceedings."

TICKET TO WORK EFFECTIVE DATE CHANGE

SECTION 10.9.(a) Section 10.18(c) of S.L. 2005-276 reads as rewritten:

"**SECTION 10.18.(c)** Subsection (b) of this section becomes effective July 1, 2006. Subsection (a) of this section becomes effective July 1, ~~2007, or within 30 days after the date on which the MMIS becomes operational, as determined by the Department of Health and Human Services, whichever occurs later.~~2007. Client enrollment shall begin not later than six months from the date subsection (a) becomes effective. The remainder of this section is effective when it becomes law."

SECTION 10.9.(b) The Department of Health and Human Services shall study and develop a plan for the implementation of the Ticket to Work Program. The Department shall report to 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 not later than March 1, 2007, on the results of its study. The report shall include what system changes need to be made to implement the Ticket to Work Program, how soon the changes can be made, and an analysis of the five-year fiscal impact of the Program.

PUBLIC-PRIVATE LONG TERM CARE PARTNERSHIP PROGRAM

SECTION 10.10. Pursuant to authority under Section 1917(b) of the Social Security Act (42 USC 1396p(c)), as amended by Public Law 109-171 effective January 1, 2007, there is established in the Department of Health and Human Services the North Carolina Long-Term Care Partnership Program. The purpose of the Program is to reduce future Medicaid costs for long-term care by delaying or eliminating dependence on Medicaid. The Program shall be administered by the Department of Health and Human Services with the assistance of the Commissioner of Insurance. The Department shall structure and administer the Program in accordance with applicable federal law and guidelines for qualified State long-term care partnerships. The Program, including the treatment of assets for Medicaid eligibility and estate recovery, notwithstanding statutory provisions on treatment of assets and estate recovery to the contrary, shall offer incentives to individuals to insure against the substantial costs of providing for their long-term care needs. The Long-Term Care Partnership Program becomes effective on the effective date of the approved State Plan amendment.

STUDY MEDICAID PROVIDER RATE INCREASES

SECTION 10.11.(a) The Secretary of the Department of Health and Human Services shall study and develop a proposal for an equitable standard for providing inflationary increases and other cost-related increases to service providers in the Medicaid program. The Department shall seek the assistance of external consultants and other appropriate financial experts and affected parties to validate any methodologies used in the development of the standard.

SECTION 10.11.(b) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Medical Assistance, the sum of one hundred thousand dollars ($100,000) for the 2006-2007 fiscal year shall be used to support the study. Not later than March 1, 2007, the Department shall report to 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 on the findings and recommendations of the study.

SECTION 10.11.(c) The Department of Health and Human Services shall study the feasibility and effectiveness of adjusting and rebasing case-mix reimbursement rates using 2005 cost data for nursing facilities. The study shall include the frequency of rebasing to appropriately reflect increases and decreases in reported and audit costs.

INCREASE HEALTH CARE ACCESS FOR UNINSURED PERSONS

SECTION 10.12.(a) The Secretary of the Department of Health and Human Services shall develop a plan to expand health care access for uninsured North Carolinians through the use of public/private partnerships, federal flexibility and resources, and promotion of charity care by health care providers. The goals of the plan are to:

(1) Aid small businesses that want to provide health care coverage.
(2) Expand health care coverage for the working uninsured persons.
(3) Secure all available federal funds to support the program.
(4) Promote charity care by health care providers.

SECTION 10.12.(b) In developing the plan, the Secretary shall:

(1) Consider findings and recommendations of previous studies on increased access to health care and covering the uninsured to determine their feasibility.
(2) Draw on the experience of other states that have successfully increased access to health care and covered the uninsured.
(3) Determine waivers necessary to secure federal funding available through 1115 Demonstration Waivers and other federal waivers to cover the uninsured.
(4) Explore options such as those available through the Deficit Reduction Act of 2005 (DEFRA) to adjust Medicaid eligibility and benefits to cover the uninsured.
(5) Consider the use of existing funding that might be used to leverage additional federal matching funds including certified public expenditures (CPE), and appropriate federal Disproportionate Share Hospital Program (DSH) funds.
(6) Pursue an agreement with the Centers for Medicare and Medicaid Services (CMS) to develop a methodology for investing Medicare savings realized from the expansion of the scope of Community Care of North Carolina Program to help fund the plan; and
(7) Determine in conjunction with the Office of State Budget and Management the fiscal impact of the plan for a five-year period.

SECTION 10.12.(c) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Medical Assistance, the sum of two hundred thousand dollars ($200,000) for the 2006-2007 fiscal year shall be used to support the development of the plan. The proposed plan shall be submitted to the 2007 General Assembly not later than March 1, 2007.

HEALTH INFORMATION SYSTEMS (HIS) FUNDS

SECTION 10.13.(a) The sum of nine million eight hundred thirty-five thousand seven hundred ninety-five dollars ($9,835,795) is appropriated from Budget Code 24430, Fund Code 2117, to the Department of Health and Human Services, Division of Public Health, for the 2006-2007 fiscal year. These funds shall be used for the development and implementation of the Health Information Systems (HIS), an initiative that will provide an automated means of capturing, monitoring, reporting, and billing services provided in local health departments, CDSAs, and the State Public Health Lab. The HIS will allow for interfaces to local health departments' own vendor systems and is intended to replace the outdated Health Services Information System. Allocation of these funds is contingent upon full compliance with the reporting requirements of Section 10.59A.(b) of S.L. 2005-276 and the identification of total estimated costs and future funding sources.

SECTION 10.13.(b) The Department of Health and Human Services, Division of Public Health, shall report on the use of these funds 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 not later than March 1, 2007.

REPEAL VISION CARE PROGRAM

SECTION 10.14. Section 10.59F of S.L. 2005-276 (as amended by Section 20 of S.L. 2005-345), G.S. 130A-440.1, and Part 34 of Article 3 of Chapter 143B of the General Statutes are repealed.

EARLY INTERVENTION SERVICES REPORT

SECTION 10.15. The Department of Health and Human Services, Division of Public Health, shall report on Early Intervention services. The report shall include the following information for all children, ages birth to three years, entering the Early Intervention system as of July 1, 2006, through December 31, 2006:

(1) Children served: the number of children referred and the source of referral, the number of children receiving initial evaluations, the number of children determined eligible, the number of children enrolled, and the number of IFS Plans developed.

(2) Services provided: the number and types of evaluation services, treatment services, and other services provided and whether the service was provided by an employee of a Children's Developmental Services Agency or a private provider.

(3) Sliding scale participation: the percentage of enrolled children whose family income falls into each of the following categories: at or below 200% of the federal poverty level, between 250% and 300% of the federal poverty level, between 350% and 400% of the federal poverty level, and over 400% of the federal poverty level. These percentages shall be reported based on gross income and net income after allowable deductions.

The Division of Public Health shall report its findings and recommendations to the Senate Appropriations Committee on Health and Human Services, the House of Representative Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division not later than February 1, 2007.

COMMUNITY HEALTH CENTER CHANGES

SECTION 10.16. Section 10.9(a) of S.L. 2005-276 reads as rewritten:

"**SECTION 10.9.(a)** Of the funds appropriated in this act for Community Health Grants, the sum of two million dollars ($2,000,000) in recurring ~~funds for the 2005-2006 fiscal year, and the sum of two million dollars ($2,000,000) in recurring~~ funds for the 2006-2007 fiscal year shall be used for federally qualified health centers, for those health centers that meet the criteria for federally qualified health centers, and for State-designated rural health centers and public health departments and other clinics to:

(1) Increase access to preventative and primary care services by uninsured or medically indigent patients in existing or new health center locations;

(2) Establish community health center services in counties where no such services exist;

(3) Create new services or augment existing services provided to uninsured or medically indigent patients, including primary care and preventative medical services, dental services, pharmacy, and behavioral health; and

(4) Increase capacity necessary to serve the uninsured by enhancing or replacing facilities, equipment, or technologies.

Grant funds may not be used to enhance or increase compensation or other benefits of personnel, administrators, directors, consultants, or any other parties. Grant funds

may not be used to supplant federal funds traditionally received by federally qualified community health centers and may not be used to finance or satisfy any existing debt. The Department of Health and Human Services shall distribute funds on the basis of the availability of other funds for the agency, and also on the basis of incidence of poverty or percentage of indigent clients served. Grant applicants must provide after-hours access in order to qualify for grant funds. The Department shall give preference to those grant applicants demonstrating collaboration with the applicant's community hospital."

EDUCATION ON PREVENTION OF PRETERM BIRTHS

SECTION 10.17. Of the funds appropriated in this act to the Department of Health and Human Services, Division of Public Health, the sum of one hundred fifty thousand dollars ($150,000) for the 2006-2007 fiscal year shall be used to provide education to women on the benefits of progesterone for those who have had preterm births and to purchase medication for eligible minority and low-income women until the medication becomes readily available through the Medicaid Program. The Division of Public Health shall evaluate the impact of the use of these funds and shall share the outcomes of the evaluation with the Division of Medical Assistance, 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.

COMMUNITY-FOCUSED ELIMINATING HEALTH DISPARITIES INITIATIVE

SECTION 10.18. Of funds appropriated in this act to the Department of Health and Human Services for the 2006-2007 fiscal year, the sum of two million dollars ($2,000,000) shall be allocated for the Community-Focused Eliminating Health Disparities Initiative (CFEHDI) to provide grants-in-aid to local public health departments, American Indian tribes, and faith-based and community-based organizations to close the gap in the health status of African-Americans, Hispanics/Latinos, and American Indians as compared to white persons. These grants shall focus on the use of preventive measures to support health lifestyles. The areas of focus on health status shall be infant mortality, HIV-AIDS and sexually transmitted infections, cancer, diabetes, and homicides and motor vehicle deaths. These funds shall also be used to support one FTE in the Department of Health and Human Services to monitor, track, and evaluate grantees' progress in meeting performance-based standards and outcomes established by the Department.

AUTHORIZE ONE NEW POSITION FOR HEALTHY CAROLINIANS INITIATIVE

SECTION 10.18A. The Department of Health and Human Services, Division of Public Health, may use funds appropriated for the 2006-2007 fiscal year to support one new position for the Healthy Carolinians Initiative.

CLARIFICATION OF CERTAIN AUDIT REQUIREMENTS

SECTION 10.19. G.S. 143B-139.4.(b) reads as rewritten:

"(b) A private, nonprofit organization that receives employee assistance or other appropriate services in accordance with subsection (a) of this section, shall document all contributions received, including employee time, supplies, materials, equipment, and physical space. The documentation shall also provide an estimated value of all contributions received as well as any compensation paid to or bonuses received by State employees. This documentation shall be submitted annually to the Secretary of the Department of Health and Human Services in a format approved by the Secretary. Nonprofit organizations with less than five hundred thousand dollars ($500,000) in annual income shall submit an affidavit from the chief officer of the organization providing and attesting to the financial condition of the organization and the expenditure

of funds or use of State employee services or other State services. The board of directors of each private, nonprofit organization with an annual income of five hundred thousand dollars ($500,000) or more shall secure and pay for the services of the State Auditor's Office or employ a certified public accountant to conduct an annual audit of the financial accounts of the organization. The board of directors shall transmit to the Secretary of the Department a copy of the annual financial audit report of the private nonprofit organization. Nothing in this subsection shall be construed to relieve the private, nonprofit organization from other applicable reporting requirements established by law."

AIDS DRUG ASSISTANCE PROGRAM

SECTION 10.21. Section 10.59(a) of S.L. 2005-276 reads as rewritten:

"**SECTION 10.59.(a)** ~~For the 2005-2006 fiscal year and for the 2006-2007 fiscal year, HIV-positive individuals with incomes at or below one hundred twenty-five percent (125%) of the federal poverty level are eligible for participation in ADAP. Eligibility for participation in ADAP during the 2005-2007 fiscal biennium shall not be extended to individuals with incomes above one hundred twenty-five percent (125%) of the federal poverty level.~~For the 2006-2007 fiscal year, the Department may adjust the financial eligibility criterion of the ADAP Program up to an amount not exceeding two hundred fifty percent (250%) of the federal poverty level in order to serve as many eligible North Carolinians living with HIV disease as possible within existing resources plus any new federal resources. If the Department raises the eligibility limit above one hundred twenty-five percent (125%) of the federal poverty level and a waiting list develops as a result, the Department shall give priority on the waiting list to those individuals at or below one hundred twenty-five percent (125%) of the federal poverty level."

TECHNICAL CORRECTION TO LICENSURE FEE LIMITS

SECTION 10.22. G.S. 131E-267 reads as rewritten:

"**§ 131E-267. Fees for departmental review of health care facility construction projects.**

The Department of Health and Human Services shall charge a fee for the review of each health care facility construction project to ensure that project plans and construction are in compliance with State law. The fee shall be charged on a one-time, per-project basis, as follows, and shall not exceed ~~twelve thousand five hundred dollars ($12,500)~~twenty-five thousand dollars ($25,000) for any single project:

Institutional Project	**Project Fee**
Hospitals	$ 300.00 plus $0.20/square foot of project space
Nursing Homes	$ 250.00 plus $0.16/square foot of project space
Ambulatory Surgical Facility	$ 200.00 plus $0.16/square foot of project space
Psychiatric Hospital	$ 200.00 plus $0.16/square foot of project space
Adult Care Home	
7 or more beds	$ 175.00 plus $0.10/square foot of project space

Residential Project	**Project Fee**
Family Care Homes	$ 175.00 flat fee
ICF/MR Group Homes	$ 275.00 flat fee
Group Homes: 1-3 beds	$ 100.00 flat fee
Group Homes: 4-6 beds	$ 175.00 flat fee
Group Homes: 7-9 beds	$ 225.00 flat fee
Other residential:	
More than 9 beds	$ 225.00 plus $0.075/square foot of project space."

CLARIFICATION OF FEES FOR MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE SERVICE FACILITIES

SECTION 10.23. G.S. 122C-23(h) reads as rewritten:

"(h) The Department shall charge facilities licensed under this Chapter ~~that have licensed beds~~ a nonrefundable annual base license fee plus a nonrefundable annual per-bed fee as follows:

Type of Facility	Number of Beds	Base Fee	Per-Bed Fee
Facilities (non ICF/MR):	0 beds	$175.00	$0
~~Facilities (non-ICF/MR):~~			
	~~6 of fewer~~		
	1 to 6 beds	$250.00	$0
	More than 6 beds	$350.00	$12.50
ICF/MR Only:	~~6 or fewer~~		
	1 to 6 beds	$650.00	$0
	More than 6 beds	$650.00	$12.50"

TRANSFER ADVOCACY AND CUSTOMER SERVICE SECTION TO OFFICE OF THE SECRETARY

SECTION 10.24. The Advocacy and Customer Service Section of the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services is transferred to the Office of the Secretary of the Department of Health and Human Services. The transfer has the elements of a Type I transfer as defined in G.S. 143A-6. In addition to its other responsibilities, the Advocacy and Customer Service Section shall assume and carry out the requirements of the Consumer Advocacy Program as established under Article 1A of Chapter 122C of the General Statutes.

AUTHORIZE LOCAL MANAGEMENT ENTITIES TO TRANSFER FUNDS BETWEEN AGE AND DISABILITY CATEGORIES

SECTION 10.25.(a) Notwithstanding G.S. 143-23, an area authority or a county program may transfer from one age or disability category to a different age or disability category up to fifteen percent (15%) of the funds initially allocated to the age or disability category from which funds are being transferred. Prior to the transfer, the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services shall verify that the transfer meets applicable federal requirements. Area authorities and county programs shall:

(1) Publicly document that they have addressed the service needs of the category from which the funds are being transferred before any transfer may occur, and

(2) Submit the required documentation to the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services and to the Fiscal Research Division within 15 days of making the transfer.

SECTION 10.25.(b) This section expires July 1, 2007.

AREA AUTHORITY AND COUNTY PROGRAM CRISIS REGIONS

SECTION 10.26.(a) Using funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, and allocated to area authorities and county programs for this purpose, area authorities and county programs shall organize themselves into no more than 21 crisis regions based upon the existing Geriatric Specialty team configurations or other approved regions. These funds shall be allocated to each area authority or county programs on a per capita basis. The funds may be used for operational start-up, capital, or subsidies related to developing a continuum of crisis services. No more than three percent (3%) may be spent for administrative costs. The area authorities and county program within a crisis region shall work together to identify gaps in their ability to provide a continuum of crisis services for all consumers

and use the funds allocated to them to develop and implement a plan to address those needs. At a minimum, the plan must address the development over time of the following components: 24-hour crisis telephone lines, walk-in crisis services, mobile crisis outreach, crisis respite/residential services, crisis stabilization units, 23-hour beds, facility-based crisis, in-patient crisis and transportation. Options for voluntary admissions to a secured facility must include at least one service appropriate to address the mental health, developmental disability, and substance abuse needs of adults, and the mental health, developmental disability, and substance abuse needs of children. Options for involuntary commitment to a secured facility must include at least one option in addition to admission to a State facility.

If all area authorities and county programs in a crisis region determine that a facility-based crisis center is needed and sustainable on a long-term basis, the crisis region shall attempt to secure those services through a community hospital or other community facility first. If all the area authorities and county programs in the crisis region determine the region's crisis needs are being met, the area authorities and county programs may use the funds to meet local crisis service needs.

SECTION 10.26.(b) Of the funds appropriated in this act for consultant services to aid local management entities and the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, the sum of two hundred twenty-five thousand dollars ($225,000) shall be used for consulting services engaged pursuant to this subsection. Each area authority and county program and each crisis region shall utilize the technical assistance of a consultant under contract with the Department of Health and Human Services to develop and implement its crisis services plan. The consultant shall assist area authorities and county programs and crisis regions to identify local and regional gaps in crisis services, identify options for providing services, implement new services, and maintain transparency and accountability for the use of funds. The crisis region or area authorities and county programs shall submit their crisis services plan to the consultant and to the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (Division) for review and public comment. The crisis regions and area authorities and county programs shall consider the comments prior to submitting a final plan for implementation. Upon submission of a final plan to the Department of Health and Human Services, each crisis region, area authority, and county program will receive implementation funds. Funds not expended during the 2006-2007 fiscal year shall not revert.

Area authorities and county programs and crisis regions shall report monthly to the consultant and to the Division regarding the use of the funds, whether there has been a reduction in the use of State psychiatric hospitals for acute admissions, and remaining gaps in local and regional crisis services. The consultant shall report regularly to the General Assembly, the Fiscal Research Division, and the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services regarding each crisis region's and area authorities' and county programs' proposed and actual use of the funds.

EXTEND SUNSET FOR FIRST COMMITMENT PILOT PROGRAM

LOC

SECTION 10.27. S.L. 2003-178 reads as rewritten:

"**SECTION 1.** The Secretary of Health and Human Services may, upon request of a phase-one local management entity, waive temporarily the requirements of G.S. 122C-261 through G.S. 122C-263 and G.S. 122C-281 through G.S. 122C-283 pertaining to initial (first-level) examinations by a physician or eligible psychologist of individuals meeting the criteria of G.S. 122C-261(a) or G.S. 122C-281(a), as applicable, as follows:

(1) The Secretary has received a request from a phase-one local management entity to substitute for a physician or eligible psychologist, a licensed clinical social worker, a masters level psychiatric nurse, or a masters level certified clinical addictions

specialist to conduct the initial (first-level) examinations of individuals meeting the criteria of G.S. 122C-261(a) or G.S. 122C-281(a). The waiver shall be implemented on a pilot-program basis. The request from the local management entity shall be submitted as part of the entity's local business plan and shall specifically describe:

a. How the purpose of the statutory requirement would be better served by waiving the requirement and substituting the proposed change under the waiver.
b. How the waiver will enable the local management entity to improve the delivery or management of mental health, developmental disabilities, and substance abuse services.
c. How the services to be provided by the licensed clinical social worker, the masters level psychiatric nurse, or the masters level certified clinical addictions specialist under the waiver are within each of these professional's scope of practice.
d. How the health, safety, and welfare of individuals will continue to be at least as well protected under the waiver as under the statutory requirement.

(2) The Secretary shall review the request and may approve it upon finding that:

a. The request meets the requirements of this section.
b. The request furthers the purposes of State policy under G.S. 122C-2 and mental health, developmental disabilities, and substance abuse services reform.
c. The request improves the delivery of mental health, developmental disabilities, and substance abuse services in the counties affected by the waiver and also protects the health, safety, and welfare of individuals receiving these services.
d. The duties and responsibilities performed by the licensed clinical social worker, the masters level psychiatric nurse, or the masters level certified clinical addictions specialist are within the individual's scope of practice.

(3) The Secretary shall evaluate the effectiveness, quality, and efficiency of mental health, developmental disabilities, and substance abuse services and protection of health, safety, and welfare under the waiver. The Secretary shall send a report on the evaluation to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substances Abuse Services on or before July 1, 2006.

(4) The waiver granted by the Secretary under this section shall be in effect ~~for a period not to exceed three years, or the period for which the requesting local management entity's business plan is approved, whichever is shorter.~~until October 1, 2007.

(5) The Secretary may grant a waiver under this section to up to five local management entities that have been designated as phase-one entities as of July 1, 2003.

(6) In no event shall the substitution of a licensed clinical social worker, masters level psychiatric nurse, or masters level certified clinical addictions specialist under a waiver granted under this section be construed as authorization to expand the scope of practice of the licensed clinical social worker, the masters level psychiatric nurse, or the masters level certified clinical addictions specialist.

(7) The Department shall assure that staff performing the duties are trained and privileged to perform the functions identified in the waiver. The Department shall involve stakeholders including, but not limited to, the North Carolina Psychiatric Association, The North Carolina

Nurses Association, National Association of Social Workers, The North Carolina Substance Abuse Professional Certification Board, North Carolina Psychological Association, The North Carolina Society for Clinical Social Work, and the North Carolina Medical Society in developing required staff competencies.

(8) The local management entity shall assure that a physician is available at all times to provide backup support to include telephone consultation and face-to-face evaluation, if necessary.

SECTION 2. This act becomes effective July 1, 2003, and expires ~~July 1, 2006.~~October 1, 2007."

CHANGES TO THE STATE PLAN FOR MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE SERVICES

SECTION 10.28.(a) G.S. 122C-102 reads as rewritten:

"**§ 122C-102. State Plan for Mental Health, Developmental Disabilities, and Substance Abuse ~~Services.~~Services; system performance measures.**

(a) Purpose of State Plan. – The Department shall develop and implement a State Plan for Mental Health, Developmental Disabilities, and Substance Abuse Services. The purpose of the State Plan is to provide a strategic template regarding how State and local resources shall be organized and used to provide services. The State Plan shall be issued every three years beginning July 1, 2007. It shall identify specific goals to be achieved by the Department, area authorities, and county programs over a three-year period of time and benchmarks for determining whether progress is being made towards those goals. It shall also identify data that will be used to measure progress towards the specified goals. In order to increase the ability of the State, area authorities, county programs, private providers, and consumers to successfully implement the goals of the State Plan, the Department shall not adopt or implement policies that are inconsistent with the State Plan without first consulting with the Joint Legislative Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services.

(b) Content of State Plan. – The State Plan shall include the following:

(1) Vision and mission of the State Mental Health, Developmental Disabilities, and Substance Abuse Services system.

~~(2) Organizational structure of the Department and the divisions of the Department responsible for managing and monitoring mental health, developmental disabilities, and substance abuse services.~~

(3) Protection of client rights and consumer involvement in planning and management of system services.

(4) Provision of services to targeted populations, including criteria for identifying targeted populations.

(5) Compliance with federal mandates in establishing service priorities in mental health, developmental disabilities, and substance abuse.

(6) Description of the core services that are available to all individuals in order to improve consumer access to mental health, developmental disabilities, and substance abuse services at the local level.

(7) Service standards for the mental health, developmental disabilities, and substance abuse services system.

(8) Implementation of the uniform portal process.

(9) Strategies and schedules for implementing the service plan, including consultation on Medicaid policy with area and county programs, qualified providers, and others as designated by the Secretary, intersystem collaboration, promotion of best practices, technical assistance, outcome-based monitoring, and evaluation.

(10) A plan for coordination of the State Plan for Mental Health, Developmental Disabilities, and Substance Abuse Services with the Medicaid State Plan, and NC Health Choice.

LOC modified

(11) A business plan to demonstrate efficient and effective resource management of the mental health, developmental disabilities, and substance abuse services system, including strategies for accountability for non-Medicaid and Medicaid services.

(12) Strategies and schedules for implementing a phased in plan to eliminate disparities in the allocation of State funding across county programs and area authorities by January 1, 2007, including methods to identify service gaps and to ensure equitable use of State funds to fill those gaps among all counties.

(c) State Performance Measures. – The State Plan shall also include a mechanism for measuring the State's progress towards increased performance on the following matters: access to services, consumer-focused outcomes, individualized planning and supports, promotion of best practices, quality management systems, system efficiency and effectiveness, and prevention and early intervention. Beginning October 1, 2006, and every six months thereafter, the Secretary shall report to the General Assembly and the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services on the State's progress in these performance areas."

SECTION 10.28.(b) The North Carolina Department of Health and Human Services (DHHS) shall review all State Plans for Mental Health, Developmental Disabilities, and Substance Abuse Services, implemented after July 1, 2001, and before the effective date of this act and produce a single document that contains a cumulative statement of all still applicable provisions of those Plans. This cumulative document shall constitute the State Plan until July 1, 2007.

DHHS and the Secretary shall also identify those provisions in G.S. 122C-112.1, prior State Plans, and directives or communications by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services that must be adopted as administrative rules in order to be enforceable and undertake to adopt those rules.

SECTION 10.28.(c) Independent consultants hired by the Department from funds appropriated in this act for this purpose shall undertake the following tasks:

(1) Assist DHHS with the strategic planning necessary to develop the revised State Plan as required under G.S. 122C-102. The State Plan shall be coordinated with local and regional crisis service plans by area authorities and county programs.

(2) Study and make recommendations to increase the capacity of DHHS to implement system reform successfully and in a manner that maintains strong management functions by area authorities and county programs at the local level.

(3) Assist the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to work with area authorities and county programs to:

a. Develop and implement five to ten critical performance indicators to be used to hold area authorities and county programs accountable for managing the mental health, developmental disabilities, and substance abuse services system. The performance system indicators shall be implemented no later than six months after the consultant's contract is awarded and in no event later than July 1, 2007.

b. Standardize the utilization management functions for Medicaid and non-Medicaid services and for the review and approval of person-centered plans.

c. Develop area authorities' and county programs' expertise to assume utilization management for Medicaid services. The goal shall be to have a portion of the area authorities and county

programs assume that function beginning July 1, 2007, and the remainder to assume the function no later than July 1, 2009.

d. Implement other uniform procedures for the management functions of area authorities and county programs.

(4) Provide technical assistance and oversight to private service providers, area authorities, and county programs to ensure that best practices and new services are being delivered with fidelity to the service definition model.

(5) Provide ongoing and focused technical assistance to area authorities and county programs in the implementation of their administrative and management functions and the establishment and operation of community-based programs. The Secretary shall include in the State Plan a mechanism for monitoring the Department's success in implementing this duty and the progress of area authorities and county programs in achieving these functions.

(6) Assist the Division with implementing standard forms, contracts, processes, and procedures to be used by all area authorities and county programs with other public and private service providers. These processes and procedures shall include standardized denial codes and a standard policy regarding the coordination of benefits. The independent consultant shall consult with area authorities and county programs regarding the development of these forms, contracts, processes, and procedures. Any document or process developed under this subdivision shall place an obligation upon providers to transmit to area authorities and county programs timely client information and outcome data. The independent consultant shall also recommend language regarding what constitutes a clean claim for purposes of billing. When implementing this subdivision, the independent consultant shall balance the need for area authorities and county programs to exercise discretion in the discharge of their management responsibilities with the need of private service providers for a uniform system of doing business with public entities. The independent consultant shall also (i) identify other areas of standardization that may be implemented without undermining the authority of area authorities and county programs, and (ii) identify and eliminate processes and procedures that are duplicative or result in unnecessary paperwork.

FACILITY LICENSURE REQUIREMENTS FOR OUTPATIENT SUBSTANCE ABUSE SERVICES CONSISTENT WITH FACILITY LICENSURE REQUIREMENTS FOR OUTPATIENT MENTAL HEALTH AND DEVELOPMENTAL DISABILITY SERVICES

LOC

SECTION 10.29. G.S. 122C-3(14) reads as rewritten:

"**§ 122C-3. Definitions.**

As used in this Chapter, unless another meaning is specified or the context clearly requires otherwise, the following terms have the meanings specified:

...

(14) "Facility" means any person at one location whose primary purpose is to provide services for the care, treatment, habilitation, or rehabilitation of the mentally ill, the developmentally disabled, or substance abusers, and includes:

a. An "area facility", which is a facility that is operated by or under contract with the area authority or county program. For the purposes of this subparagraph, a contract is a contract, memorandum of understanding, or other written agreement whereby the facility agrees to provide services to one or more

clients of the area authority or county program. Area facilities may also be licensable facilities in accordance with Article 2 of this Chapter. A State facility is not an area facility;

b. A "licensable facility", which is a facility that provides services to individuals who are mentally ill, developmentally disabled, or substance abusers for one or more minors or for two or more adults. ~~When the services offered are provided to individuals who are mentally ill or developmentally disabled, these~~ These services shall be day services offered to the same individual for a period of three hours or more during a 24-hour period, or residential services provided for 24 consecutive hours or more. ~~When the services offered are provided to individuals who are substance abusers, these services shall include all outpatient services, day services offered to the same individual for a period of three hours or more during a 24-hour period, or residential services provided for 24 consecutive hours or more.~~ Facilities for individuals who are substance abusers include chemical dependency facilities;

c. A "private facility", which is a facility that is either a licensable facility or a special unit of a general hospital or a part of either in which the specific service provided is not covered under the terms of a contract with an area authority;

d. The psychiatric service of the University of North Carolina Hospitals at Chapel Hill;

e. A "residential facility", which is a 24-hour facility that is not a hospital, including a group home;

f. A "State facility", which is a facility that is operated by the Secretary;

g. A "24-hour facility", which is a facility that provides a structured living environment and services for a period of 24 consecutive hours or more and includes hospitals that are facilities under this Chapter; and

h. A Veterans Administration facility or part thereof that provides services for the care, treatment, habilitation, or rehabilitation of the mentally ill, the developmentally disabled, or substance abusers."

INDEDPENDENT- AND SUPPORTIVE-LIVING APARTMENTS INITIATIVE

LOC

SECTION 10.30. The independent and supportive living apartments for persons with disabilities constructed from funds appropriated in this act for that purpose shall be affordable to persons with incomes at the Supplemental Security Income (SSI) level. If the North Carolina Housing Finance Agency is able to finance the apartments for less than the amount appropriated under this section, any remaining funds, as well as any interest earned on the amount appropriated, may be used to finance additional apartments, group homes, and transitional housing for individuals with disabilities.

LME FINANCIAL REPORTS TO COUNTY REVIEWED BY COUNTY FINANCE OFFICERS

LOC modified

SECTION 10.31.(a) G.S. 122C-117(c) reads as rewritten:

"(c) Within 30 days of the end of each quarter of the fiscal year, the area director and finance officer of the area authority shall provide to each member of the board of county commissioners the quarterly report of the area authority. The quarterly report shall also be presented to the county finance officer for review and comment. The clerk to the board of commissioners shall notify the area director and finance officer if it has not received the quarterly report required by this subsection. This information shall be

presented in a format prescribed by the county. At least twice a year, this information shall be presented in person and shall be read into the minutes of the meeting at which it is presented. In addition, the area director or finance officer of the area authority shall provide to the board of county commissioners ad hoc reports as requested by the board of county commissioners."

SECTION 10.31.(b) Article 23 of Chapter 153A of the General Statutes is amended by adding the following new section to read:

"**§ 153A-453. Quarterly reports of Mental Health, Developmental Disabilities, and Substance Abuse Services area authority or county program.**

Quarterly reports by the area director and finance officer of Mental Health, Developmental Disabilities, and Substance Abuse Services area authorities or county programs shall be submitted to the county finance officer as provided under G.S. 122C-117(c)."

LOCAL MANAGEMENT ENTITY ADMINISTRATIVE FUNCTIONS

SECTION 10.32. The Department of Health and Human Services shall recalculate local management entity (LME) systems management allocations for fiscal year 2006-2007 to include funds for each LME to implement 24-hour, seven days a week screening, triage, and referral, and to review, monitor, and comment on all person-centered plans. The Department shall allocate funds appropriated in this act for this purpose to LMEs to implement the functions described in this section.

PORTION OF PROCEEDS FROM ALCOHOL EXCISE TAX DEPOSITED TO TRUST FUND FOR MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE SERVICES AND BRIDGE FUNDING NEEDS

SECTION 10.33.(a) Part 4 of Article 2C of Chapter 105 of the General Statutes is amended by adding a new section to read:

"**§ 105-113.82A. Distribution to the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs.**

After setting aside funds for the distributions required by G.S. 105-113.81A and G.S. 105-113.82, the Secretary shall on a monthly basis distribute to the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs, established under G.S. 143-15.3D, five percent (5%) of the net proceeds of the amount of excise taxes collected under this Article on malt beverages, unfortified wine, fortified wine, and spirituous liquor."

SECTION 10.33.(b) This section becomes effective July 1, 2006, and applies to taxes collected on or after that date.

DISTRIBUTION OF MENTAL HEALTH AND SUBSTANCE ABUSE SERVICES FUNDS

SECTION 10.33A. Funds appropriated in this act for mental health services and substance abuse services shall be allocated to local management entities such that each local management entity receives a percentage of the total allocation that is equal to that local management entity's percentage of the State's total population that is below the federal poverty level.

DEPARTMENT'S DUTY TO PROVIDE TECHNICAL ASSISTANCE TO AREA AUTHORITIES AND COUNTY PROGRAMS

SECTION 10.33B. G.S. 122C-112.1(a)(9) reads as rewritten:

"**§ 122C-112.1. Powers and duties of the Secretary.**

(a) The Secretary shall do all of the following:

...

"(9) ~~Assist~~ Provide ongoing and focused technical assistance to area authorities and county programs in the implementation of their

administrative and management functions and the establishment and operation of community-based programs. The Secretary shall include in the State Plan a mechanism for monitoring the Department's success in implementing this duty and the progress of area authorities and county programs in achieving these functions."

STRENGTHEN LOCAL MANAGEMENT ENTITIES

SECTION 10.33C.(a) G.S. 122C-3 is amended by adding the following new subdivision to read:

"**§ 122C-3. Definitions.**

~~As used in this Chapter, unless another meaning is specified or the context clearly requires otherwise, the following terms have the meanings specified:~~The following definitions apply in this Chapter:

...

(20b) "Local management entity" or "LME" means an area authority, county program, or consolidated human services agency."

SECTION 10.33C.(b) G.S. 122C-111 reads as rewritten:

"**§ 122C-111. Administration.**

The Secretary shall administer and enforce the provisions of this Chapter and the rules of the Commission and shall operate State facilities. An area director or program director shall (i) manage the public mental health, developmental disabilities, and substance abuse system for ~~administer the programs of~~ the area authority or county ~~program, as applicable,~~ program according to the local business plan, and (ii) enforce applicable State laws, rules of the Commission, and rules of the Secretary. The Secretary in cooperation with area and county program directors and State facility directors shall provide for the coordination of public services between area authorities, county programs, and State facilities. The area authority or county program shall monitor the provision of mental health, developmental disability, and substance abuse services for compliance with the law, which monitoring shall not supersede or duplicate the regulatory authority or functions of agencies of the Department."

SECTION 10.33C.(c) G.S. 122C-115.2(a) reads as rewritten:

"**§ 122C-115.2. ~~Business~~ LME business plan required; content, process, certification.**

(a) Every county, through an area authority or county program, shall provide for the development, review, and approval of ~~a~~ an LME business plan for the management and delivery of mental health, developmental disabilities, and substance abuse services. ~~A~~ An LME business plan shall provide detailed information on how the area authority or county program will meet State standards, laws, and rules for ensuring quality mental health, developmental disabilities, and substance abuse services, including outcome measures for evaluating program effectiveness. The business plan shall be in effect for at least three State fiscal years."

SECTION 10.33C.(d) Article 4 of Chapter 122C is amended by adding a new section to read:

"**§ 122C-115.4. Responsibilities of local management entities.**

(a) Local management entities are responsible for the administration and management of the public system of mental health, developmental disabilities, and substance abuse services at the community level. An LME plans, develops, implements, and monitors services within a specified geographic area for both insured and uninsured individuals.

(b) The core functions of an LME include all of the following:

(1) Access for all citizens to core services through the implementation of a 24-hour a day, seven-day a week screening, triage, and referral process and a uniform portal of entry into care.

(2) Provider endorsement, monitoring, technical assistance, and capacity development. An LME may remove as a choice a provider who fails to

meet defined quality criteria or fails to provide data required for monitoring client outcomes.

(3) Utilization review and determination of the appropriate level and intensity of services for all State-funded services, authorization of recipients of services under a Medicaid waiver, review and approval of all person-centered plans, utilization management for all services, care coordination, quality management, and authorization of State psychiatric hospital and other State facility bed days.

(4) Community collaboration and consumer affairs including assurance of rights, appeals, establishment of, and support for an effective consumer and family advisory committee.

(5) Financial management and accountability including information management for the delivery of publicly funded services for mental illness, developmental disabilities, and substance abuse.

(c) An area authority or county program may contract with any public or private entity for the implementation of some or all of the LME responsibilities articulated under this section. A consolidated human services agency may contract with any public or private entity for the implementation of some or all of the LME responsibilities subject to the requirements of G.S. 122C-127. The Secretary may remove one or more of the responsibilities enumerated under subsection (b) of this section only after the Secretary has made an individualized finding that a particular area authority or county program is not providing minimally adequate services under G.S. 122C-124.1 or is in imminent danger of failing financially under G.S. 122C-125. The notice and procedural requirements of G.S. 122C-124.1 and G.S. 122C-125 shall apply to the findings."

SECTION 10.33C.(e) G.S. 122C-118.1 reads as rewritten:

"**§ 122C-118.1. Structure of area board.**

(a) An area board shall have no fewer than 11 and no more than 25 members. In a single-county area authority, the members shall be appointed by the board of county commissioners. Except as otherwise provided, in areas consisting of more than one county, each board of county commissioners within the area shall appoint one commissioner as a member of the area board. These members shall appoint the other members. The boards of county commissioners within the multicounty area shall have the option to appoint the members of the area board in a manner other than as required under this section by adopting a resolution to that effect. The boards of county commissioners in a multicounty area authority shall indicate in the business plan each board's method of appointment of the area board members in accordance with G.S. 122C-115.2(b). These appointments shall take into account sufficient citizen participation, ~~equitable~~ representation of the disability groups, and equitable representation of participating counties. Individuals appointed to the board shall include an individual with financial ~~expertise or~~ expertise, a county finance officer, an individual with expertise in management or business, and an individual representing the interests of children. A member of the board may be removed with or without cause by the initial appointing authority. Vacancies on the board shall be filled by the initial appointing authority before the end of the term of the vacated seat or within 90 days of the vacancy, whichever occurs first, and the appointments shall be for the remainder of the unexpired term.

(b) ~~At least~~ Not more than fifty percent (50%) of the members of the area board shall represent the following:

(1) A physician licensed under Chapter 90 of the General Statutes to practice medicine in North Carolina who, when possible, is certified as having completed a residency in psychiatry.

(2) A clinical professional from the fields of mental health, developmental disabilities, or substance abuse.

(3) ~~A~~ At least one family member or ~~an~~ individual from a citizens' ~~organizations~~ organization composed primarily of consumers or their family members, representing the interests of individuals:
a. With mental illness; ~~and~~
b. In recovery from addiction; ~~and~~ or
c. With developmental disabilities.

(4) ~~Openly~~ At least one openly declared ~~consumers:~~consumer:
a. With mental illness; ~~and~~
b. With developmental ~~disabilities; and~~ disabilities; or
c. In recovery from addiction.

(c) The board of county commissioners may elect to appoint a member of the area authority board to fill concurrently more than one category of membership if the member has the qualifications or attributes of more than one category of membership.

(d) Any member of an area board who is a county commissioner serves on the board in an ex officio capacity. The terms of county commissioners on an area board are concurrent with their terms as county commissioners. The terms of the other members on the area board shall be for ~~four~~ three years, except that upon the initial formation of an area board ~~one-fourth~~ one-third shall be appointed for one year, ~~one-fourth~~ one-third for two years, ~~one-fourth for three years,~~ and all remaining members for ~~four~~ three years. Members ~~other than county commissioners~~ shall not be appointed for more than two consecutive terms. Board members serving as of July 1, 2006, may remain on the board for one additional term.

(e) Upon request, the board shall provide information pertaining to the membership of the board that is a public record under Chapter 132 of the General Statutes."

SECTION 10.33C.(f) G.S. 122C-115.1(g) reads as rewritten:

"(g) In a single-county program, an advisory committee shall be appointed by the board of county commissioners and shall report to the county manager. The appointments shall take into account sufficient citizen participation, equitable representation of the disability groups, and equitable representation of participating counties. ~~At least fifty percent (50%) of the~~ The membership shall conform to the requirements in ~~G.S. 122C-118.1(b)(1)-(4).~~ G.S. 122C-118.1. In a multicounty program, the advisory committee shall be appointed in accordance with the terms of the interlocal agreement."

SECTION 10.33C.(g) G.S. 153A-149(c)(22) reads as rewritten:

"(c) Each county may levy property taxes for one or more of the purposes listed in this subsection up to a combined rate of one dollar and fifty cents ($1.50) on the one hundred dollars ($100.00) appraised value of property subject to taxation. Authorized purposes subject to the rate limitation are:

...

(22) Mental Health. – To provide for the county's share of the cost of maintaining and administering services offered ~~by~~ by, to, or through the area mental health, developmental disabilities, and substance abuse ~~authority.~~ authority or the county program for mental health, developmental disabilities, and substance abuse services."

SECTION 10.33C.(h) G.S. 153A-247 reads as rewritten:

"**§ 153A-247. Provision for public health and mental health.**

A county may provide for and regulate the public health ~~pursuant to~~ under Chapter 130A of the General Statutes and any other law authorizing local public health activities and may provide mental ~~health[,] mental retardation,~~ health, developmental disabilities, and substance abuse ~~programs pursuant to Chapter 122C of the General Statutes.~~programs."

SECTION 10.33C.(i) G.S. 122C-141 is amended by adding a new subsection to read:

"(d) A county may be a qualified public provider and may, under Article 20 of Chapter 160A of the General Statutes, enter into an interlocal agreement with one or more other counties to operate as a qualified public provider."

SECTION 10.33C.(j) G.S. 122C-112.1(a) reads as rewritten:

"**§ 122C-112.1. Powers and duties of the Secretary.**

(a) The Secretary shall do all of the following:

(1) Oversee development of the State Plan for Mental Health, Developmental Disabilities, and Substance Abuse Services.

(2) Enforce the provisions of this Chapter and the rules of the Commission and the Secretary.

(3) Establish a process and criteria for the submission, review, and approval or disapproval of LME business plans submitted by area authorities and counties for the management and provision of mental health, developmental disabilities, and substance abuse services.

(4) Adopt rules specifying the content and format of LME business plans.

(5) Review business plans and, upon approval of the LME business plan, certify the submitting area authority or county program to provide mental health, developmental disabilities, and substance abuse ~~services.~~services in the applicable catchment area.

(6) Establish comprehensive, cohesive oversight and monitoring procedures and processes to ensure continuous compliance by area authorities, county programs, and all providers of public services with State and federal policy, law, and standards. Procedures shall include performance measures and report cards for each area authority and county program.

(7) Conduct regularly scheduled monitoring and oversight of area authority, county programs, and all providers of public services. Monitoring and oversight shall include compliance with the program business plan, core administrative functions, and fiscal and administrative practices and shall also address outcome measures, consumer satisfaction, client rights complaints, and adherence to best practices.

(8) Make findings and recommendations based on information and data collected pursuant to subdivision (7) of this subsection and submit these findings and recommendations to the applicable area authority board, county program director, board of county commissioners, providers of public services, and to the Local Consumer Advocacy Office.

(9) Assist area authorities and county programs in the establishment and operation of community-based programs.

(10) Operate State facilities and adopt rules pertaining to their operation.

(11) Develop a unified system of services provided ~~in area, county, and~~ at the community level, by State facilities, and by providers enrolled or under a contract with the ~~State.~~State and an area authority or county program.

(12) Adopt rules governing the expenditure of all funds for mental health, developmental disabilities, and substance abuse programs and services.

(13) Adopt rules to implement the appeal procedure authorized by G.S. 122C-151.2.

(14) Adopt rules for the implementation of the uniform portal process.

(15) Except as provided in G.S. 122C-26(4), adopt rules establishing procedures for waiver of rules adopted by the Secretary under this Chapter.

(16) Notify the clerks of superior court of changes in the designation of State facility regions and of facilities designated under G.S. 122C-252.

(17) Promote public awareness and understanding of mental health, mental illness, developmental disabilities, and substance abuse.
(18) Administer and enforce rules that are conditions of participation for federal or State financial aid.
(19) Carry out G.S. 122C-361.
(20) Monitor the fiscal and administrative practices of area authorities and county programs to ensure that the programs are accountable to the State for the management and use of federal and State funds allocated for mental health, developmental disabilities, and substance abuse services. The Secretary shall ensure maximum accountability by area authorities and county programs for rate-setting methodologies, reimbursement procedures, billing procedures, provider contracting procedures, record keeping, documentation, and other matters pertaining to financial management and fiscal accountability. The Secretary shall further ensure that the practices are consistent with professionally accepted accounting and management principles.
(21) Provide technical assistance, including conflict resolution, to counties in the development and implementation of area authority and county program business plans and other matters, as requested by the county.
(22) Develop a methodology to be used for calculating county resources to reflect cash and in-kind contributions of the county.
(23) Adopt rules establishing program evaluation and management of mental health, developmental disabilities, and substance abuse services.
(24) Adopt rules regarding the requirements of the federal government for grants-in-aid for mental health, developmental disabilities, or substance abuse programs which may be made available to area authorities or county programs or the State. This section shall be liberally construed in order that the State and its citizens may benefit from the grants-in-aid.
(25) Adopt rules for determining minimally adequate services for purposes of G.S. 122C-124.1 and G.S. 122C-125.
(26) Establish a process for approving area authorities and county programs to provide services directly in accordance with G.S. 122C-141.
(27) Sponsor training opportunities in the fields of mental health, developmental disabilities, and substance abuse.
(28) Enforce the protection of the rights of clients served by State facilities, area authorities, county programs, and providers of public services.
(29) Adopt rules for the enforcement of the protection of the rights of clients being served by State facilities, area authorities, county programs, and providers of public services.
(30) Prior to requesting approval to close a State facility under G.S. 122C-181(b):
a. Notify the Joint Legislative Commission on Governmental Operations, the Joint Legislative Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, and members of the General Assembly who represent catchment areas affected by the closure; and
b. Present a plan for the closure to the members of the Joint Legislative Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Senate Appropriations Committee on Health and Human Services for their review, advice, and recommendations. The plan shall address specifically how

patients will be cared for after closure, how support services to community-based agencies and outreach services will be continued, and the impact on remaining State facilities. In implementing the plan, the Secretary shall take into consideration the comments and recommendations of the committees to which the plan is presented under this subdivision.

(31) Ensure that the State Plan for Mental Health, Developmental Disabilities, and Substance Abuse Services"

10C

CONSUMER AND FAMILY ADVISORY COMMITTEES ESTABLISHED BY AREA AUTHORITIES AND COUNTY PRORAMS

SECTION 10.33D. Article 4 of Chapter 122C is amended by adding a new Part to read:

"Part 4A. Consumer and Family Advisory Committees.

"**§ 122C-170. Local Consumer and Family Advisory Committees.**

(a) Area authorities and county programs shall establish committees made up of consumers and family members to be known as Consumer and Family Advisory Committees (CFACS). A local CFAC shall be a self-governing and a self-directed organization that advises the area authority or county program in its catchment area on the planning and management of the local public mental health, developmental disabilities, and substance abuse services system.

Each CFAC shall adopt bylaws to govern the selection and appointment of its members, their terms of service, the number of members, and other procedural matters. At the request of either the CFAC or the governing board of the area authority or county program, the CFAC and the governing board shall execute an agreement that identifies the roles and responsibilities of each party, channels of communication between the parties, and a process for resolving disputes between the parties.

(b) Each of the disability groups shall be equally represented on the CFAC, and the CFAC shall reflect as closely as possible the racial and ethnic composition of the catchment area. The terms of members shall be three years, and no member may serve more than two consecutive terms. The CFAC shall be composed exclusively of:

(1) Adult consumers of mental health, developmental disabilities, and substance abuse services;

(2) Parents of minor children who are consumers of mental health, developmental disabilities, and substance abuse services; and

(3) Parents of adult children who are severely developmentally disabled.

(c) The CFAC shall undertake all of the following:

(1) Review, comment on, and monitor the implementation of the local business plan.

(2) Identify service gaps and underserved populations.

(3) Make recommendations regarding the service array and monitor the development of additional services.

(4) Review and comment on the area authority or county program budget.

(5) Participate in all quality improvement measures and performance indicators.

(6) Submit to the State Consumer and Advisory Committee findings and recommendations regarding ways to improve the delivery of mental health, developmental disabilities, and substance abuse services.

(d) The director of the area authority or county program shall provide sufficient staff to assist the CFAC in implementing its duties under subsection (c) of this section. The assistance shall include data for the identification of service gaps and underserved populations, training to review and comment on business plans and budgets, procedures to allow participation in quality monitoring, and technical advice on rules of procedure and applicable laws.

"**§ 122C-171. State Consumer and Family Advisory Committee.**

(a) There is established the State Consumer and Advisory Committee (State CAFC). The State CFAC shall be shall be a self-governing and self-directed organization that advises the Department and the General Assembly on the planning and management of the State's public mental health, developmental disabilities, and substance abuse services system.

(b) The State CFAC shall be composed of 21 members. The members shall be composed exclusively of adult consumers of mental health, developmental disabilities, and substance abuse services; parents of minor children who are consumers of mental health, developmental disabilities, and substance abuse services; and parents of adult children who are severely developmentally disabled. The terms of members shall be three years, and no member may serve more than two consecutive terms. Vacancies shall be filled by the appointing authority. The members shall be appointed as follows:

(1) Nine by the Secretary. The Secretary's appointments shall reflect each of the disability groups. The terms shall be staggered so that terms of three of the appointees expire each year.

(2) Three by the General Assembly upon the recommendations of the President Pro Tempore of the Senate, one each of whom shall come from the three State regions for institutional services (Eastern Region, Central Region, and Western Region). The terms of the appointees shall be staggered so that the term of one appointee expires every year.

(3) Three by the General Assembly upon the recommendations of the Speaker of the House of Representatives, one each of whom shall come from the three State regions for institutional services (Eastern Region, Central Region, and Western Region). The terms of the appointees shall be staggered so that the term of one appointee expires every year.

(4) Three by the Council of Community Programs, one each of whom shall come from the three State regions for institutional services (Eastern Region, Central Region, and Western Region). The terms of the appointees shall be staggered so that the term of one appointee expires every year.

(5) Three by the North Carolina Association of County Commissioners, one each of whom shall come from the three State regions for institutional services (Eastern Region, Central Region, and Western Region). The terms of the appointees shall be staggered so that the term of one appointee expires every year.

(c) The State CFAC shall undertake all of the following:

(1) Review, comment on, and monitor the implementation of the State Plan for Mental Health, Developmental Disabilities, and Substance Abuse Services.

(2) Identify service gaps and underserved populations.

(3) Make recommendations regarding the service array and monitor the development of additional services.

(4) Review and comment on the State budget for mental health, developmental disabilities, and substance abuse services.

(5) Participate in all quality improvement measures and performance indicators.

(6) Receive the findings and recommendations by local CFACs regarding ways to improve the delivery of mental health, developmental disabilities, and substance abuse services.

(7) Provide technical assistance to local CFACs in implementing their duties.

(d) The Secretary shall provide sufficient staff to assist the State CFAC in implementing its duties under subsection (c) of this section. The assistance shall include

data for the identification of service gaps and underserved populations, training to review and comment on the State Plan and departmental budget, procedures to allow participation in quality monitoring, and technical advice on rules of procedure and applicable laws.

(e) State CFAC members shall receive the per diem and allowances prescribed by G.S. 138-5 for State boards and commissions."

STRENGTHEN MH/DD/SA PRIVATE PROVIDERS

SECTION 10.33E. G.S. 122C-142(a) reads as rewritten:

"**§ 122C-142. Contract for services.**

(a) When the area authority contracts with persons for the provision of services, ~~the area authority~~ it shall use the standard contract adopted by the Secretary and shall assure that these contracted services meet the requirements of applicable State statutes and the rules of the Commission and the Secretary. However, an area authority or county program may amend the contract to comply with any court-imposed duty or responsibility. Terms of the standard contract shall require the area authority to monitor the contract to assure that rules and State statutes are met. It shall also place an obligation upon the entity providing services to provide to the area authority timely data regarding the clients being served, the services provided, and the client outcomes. The Secretary ~~may~~ shall also monitor contracted services to assure that rules and State statutes are met."

STRENGTHEN ROLE OF JOINT LEGISLATIVE COMMISSION ON MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE SERVICES

SECTION 10.33F.(a) Article 27 of Chapter 120 is amended by adding a new section to read:

"**§ 120-244. Committee authority.**

The Committee may obtain information and data from all State officers, agents, agencies, and departments, while in discharge of its duties, under G.S. 120-19, as if it were a committee of the General Assembly. The provisions of G.S. 120-19.1 through G.S. 120-19.4 shall apply to the proceedings of the Committee as if it were a committee of the General Assembly. Any cost of providing information to the Committee not covered by G.S. 120-19.3 may be reimbursed by the Committee from funds appropriated to it for its continuing study."

SECTION 10.33F.(b) Article 23 of Chapter 120 of the General Statutes is repealed.

SECTION 10.33F.(c) The Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services (LOC) shall study the following issues and report its findings and recommendations to the 2007 Regular Session of the 2007 General Assembly:

(1) Mechanisms to allow area authorities and county programs to purchase bed days from the State psychiatric hospitals. The LOC shall consider options for holding area authorities and county programs accountable for their use of State psychiatric institutions, provide incentives to increase community capacity, and options for ensuring the State institutions have a sufficient funding stream to ensure quality care to patients and a stable and well-qualified workforce.

(2) Whether implementation of a Medicaid 1915(b) waiver on a statewide or expanded local basis would strengthen the ability of area authorities and county programs to manage the mental health, developmental disabilities, and substance abuse system. As part of the study, the LOC shall examine the impact of the waiver on Piedmont Behavioral Health's ability to implement its management functions including utilization management for Medicaid services, consumer satisfaction,

provider monitoring, use of best practices, and any other matters the LOC determines are relevant. If the LOC determines that a Medicaid 1915(b) waiver would improve the management capacity of area authorities and county programs, it shall also examine whether it would be more appropriate to seek a statewide waiver or whether it would be both possible and advisable for additional area authorities and county programs to seek individual waivers.

(3) Whether G.S. 122C-147.1 should be amended to modify or repeal the provisions that place funds appropriated by the General Assembly into broad age and disability categories."

CHILD CARE ALLOCATION FORMULA

SECTION 10.34. Section 10.61(c) of S.L. 2005-276 reads as rewritten:

"**SECTION 10.61.(c)** Notwithstanding subsection (a) of this section, the Department of Health and Human Services shall allocate up to twenty-two million dollars ($22,000,000) in federal block grant funds and State funds appropriated for fiscal years ~~2004-2005~~2005-2006 and ~~2005-2006~~2006-2007 for child care services. These funds shall be allocated to prevent termination of child care services."

CHILD CARE SUBSIDY RATES

SECTION 10.35. Section 10.62(e) of S.L. 2005-276 reads as rewritten:

"**SECTION 10.62.(e)** A market rate shall be calculated for child care centers and homes at each rated license level for each county and for each age group or age category of enrollees and shall be representative of fees charged to ~~unsubsidized privately paying~~ parents for each age group of enrollees within the county. The Division of Child Development shall also calculate a statewide rate and regional market rates for each rated license level for each age category."

PART XI. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

CONSERVATION RESERVE ENHANCEMENT PROGRAM

SECTION 11.1. Funds appropriated to the Department of Environment and Natural Resources for the 2006-2007 fiscal year for the Division of Soil and Water Conservation for the Conservation Reserve Enhancement Program for acquiring conservation easements and leases or for contracts under the Program shall not revert, but shall remain available for these purposes.

AQUARIUM FUNDS

SECTION 11.2. Of the funds appropriated in this act to the Department of Environment and Natural Resources, the sum of two million five hundred thousand dollars ($2,500,000) for the 2006-2007 fiscal year shall be for the Division of Aquariums for the operations of the Division of Aquariums of the Department of Environment and Natural Resources. These funds are in addition to the funding the Division of Aquariums receives from departmental receipts, and the Department of Environment and Natural Resources may use these funds to shift funding for operations of the Division from receipt-support to General Fund support.

GRASSROOTS SCIENCE PROGRAM

SECTION 11.3. Section 12.5 of S.L. 2005-276, as amended by Section 23 of S.L. 2005-345, reads as rewritten:

"**SECTION 12.5.(a)** Of the funds appropriated in this act to the Department of Environment and Natural Resources for the Grassroots Science Program, the sum of three million one hundred ninety-seven thousand seven hundred sixty-two dollars ($3,197,762) for the 2005-2006 fiscal year and the sum of three million eight hundred

Senate Special Provisions

Department of Health And Human Services

Block Grants

DHHS Block Grants

TOTAL	**$254,831,071**

HIGHWAY FUND AVAILABILITY STATEMENT

SECTION 3.2. The Highway Fund availability used in developing the 2005-2007 biennial budget is shown below:

Highway Fund Availability Statement	**2006-2007**
Beginning Credit Balance	0
Estimated Revenue	1,767,140,000
Estimated Reversions	26,600,000
Total Highway Fund Availability	$ 1,793,740,000

PART IV. HIGHWAY TRUST FUND APPROPRIATIONS

HIGHWAY TRUST FUND APPROPRIATIONS

SECTION 4.1. Appropriations from the Highway Trust Fund of the State for maintenance and operation of the Department of Transportation, and for other purposes as enumerated, are made for the fiscal year ending June 30, 2007, according to the schedule that follows. Amounts set out in brackets are reductions from Highway Trust Fund Appropriations for the 2006-2007 fiscal year.

Current Operations – Highway Trust Fund	**2006-2007**
Intrastate System	97,860,379
Urban Loops	39,570,662
Aid to Municipalities	10,267,836
Secondary Roads	8,987,310
Program Administration	3,180,220
Transfer to General Fund	(195,176,407)
GRAND TOTAL CURRENT OPERATIONS AND EXPANSION	**($35,310,000)**

PART V. BLOCK GRANTS

DHHS BLOCK GRANTS

SECTION 5.1.(a) Appropriations from federal block grant funds are made for the fiscal year ending June 30, 2007, according to the following schedule:

TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) BLOCK GRANT

Local Program Expenditures

Division of Social Services		
01.	Work First Family Assistance (Cash Assistance)	$114,625,680
02.	Work First County Block Grants	94,653,315
03.	County Demonstration Grants	19,598,322
04.	Child Protective Services – Child Welfare	

G modified

Work Central is out

	Workers for Local DSS	12,452,391
05.	Work First – Boys and Girls Clubs	1,500,000
06.	Work First – After-School Services for At-Risk Children	2,249,642
07.	Work First – After-School Programs for At-Risk Youth in Middle Schools	500,000
08.	Adoption Services – Special Children's Adoption Fund	3,000,000
09.	Family Violence Prevention	2,200,000
10.	Foster Care	2,000,000
	Division of Child Development	
11.	Subsidized Child Care Program	36,563,266
DHHS Administration		
12.	Division of Social Services	586,931
13.	Office of the Secretary	65,836
14.	Office of the Secretary/DIRM – TANF Automation Projects	592,500
15.	Office of the Secretary/DIRM – NC FAST Implementation	1,800,000
Transfers to Other Block Grants		
	Division of Child Development	
16.	Transfer to the Child Care and Development Fund	81,292,880
	Division of Social Services	
17.	Transfer to Social Services Block Grant for Department of Juvenile Justice and Delinquency Prevention – Support Our Students	2,749,642
18.	Transfer to Social Services Block Grant for Child Protective Services – Child Welfare Training in Counties	2,550,000
19.	Transfer to Social Services Block Grant for Maternity Homes	838,000
20.	Transfer to Social Services Block Grant for Teen Pregnancy Prevention Initiatives	2,500,000

21.	Transfer to Social Services Block Grant for County Departments of Social Services for Children's Services	4,500,000
22.	Transfer to Social Services Block Grant for Foster Care Services	1,181,907
TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) BLOCK GRANT		$388,000,312
SOCIAL SERVICES BLOCK GRANT		
Local Program Expenditures		
Divisions of Social Services and Aging & Adult		
01.	County Departments of Social Services (Transfer from TANF – $4,500,000)	$ 28,868,189
02.	State In-Home Services Fund	2,101,113
03.	State Adult Day Care Fund	2,155,301
04.	Child Protective Services/CPS Investigative Services-Child Medical Evaluation Program	238,321
05.	Foster Care Services (Transfer from TANF – $1,181,907)	1,706,063
06.	Child Protective Services-Child Welfare Training for Counties (Transfer from TANF)	2,550,000
07.	Maternity Homes (Transfer from TANF)	838,000
08.	Local DSS Services for Hurricane Victims	509,272
Division of Aging and Adult Services		
09.	Home and Community Care Block Grant (HCCBG)	1,834,077
Division of Mental Health, Developmental Disabilities, and Substance Abuse Services		
10.	Mental Health Services Program	422,003
11.	Developmental Disabilities Services Program	5,000,000
12.	Mental Health Services-Adult/Mental Health Services-Child/Developmental Disabilities Program/ Substance Abuse Services-Adult	3,234,601
Division of Child Development		

13. Subsidized Child Care Program	3,150,000
Division of Vocational Rehabilitation	
14. Vocational Rehabilitation Services – Easter Seal Society/UCP	188,263
Office of the Secretary – Office of Economic Opportunity	
15. Elderly Supplemental Grant Program	41,302
Division of Public Health	
16. Teen Pregnancy Prevention Initiatives (Transfer from TANF)	2,500,000
DHHS Program Expenditures	
Division of Aging and Adult Services	
17. UNC-CARES Training Contract	247,920
Division of Services for the Blind	
18. Independent Living Program	3,314,114
Division of Facility Services	
19. Adult Care Licensure Program	411,897
20. Mental Health Licensure and Certification Program	205,668
DHHS Administration	
21. Division of Aging and Adult Services	630,636
22. Division of Social Services	869,058
23. Office of the Secretary/Controller's Office	123,059
24. Office of the Secretary/DIRM	82,009
25. Division of Child Development	15,000
26. Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	18,098
27. Division of Facility Services	62,986
28. Office of the Secretary-NC Inter-Agency Council For Coordinating Homeless Programs	250,000
29. Office of the Secretary-Housing Coalition	100,000
Transfers to Other State Agencies	

Department of Administration	
30. NC Commission of Indian Affairs In-Home Services for the Elderly	203,198
Department of Juvenile Justice and Delinquency Prevention	
31. Support Our Students (Transfer from TANF)	2,749,642
Transfers to Other Block Grants	
Division of Public Health	
32. Transfer to Preventive Health Services Block Grant for HIV/STD Prevention and Community Planning	145,819
TOTAL SOCIAL SERVICES BLOCK GRANT	$ 64,765,609
LOW-INCOME ENERGY BLOCK GRANT	
Local Program Expenditures	
Division of Social Services	
01. Low Income Energy Assistance Program (LIHEAP)	$ 28,684,494
02. Crisis Intervention Program (CIP)	20,831,114
Office of the Secretary – Office of Economic Opportunity	
03. Weatherization Program	9,431,545
04. Heating Air Repair & Replacement Program (HARRP)	4,399,042
Local Administration	
Division of Social Services	
05. County DSS Administration	2,057,992
Office of the Secretary – Office of Economic Opportunity	
06. Local Residential Energy Efficiency Service Providers – Weatherization	257,185
07. Local Residential Energy Efficiency Service Providers – HARRP	119,955
DHHS Administration	
08. Division of Social Services	319,774
09. Division of Mental Health, Developmental	

Disabilities, and Substance Abuse Services	7,146
10. Office of the Secretary/DIRM	245,395
11. Office of the Secretary/Controller's Office	11,211
12. Office of the Secretary/Office of Economic Opportunity – Weatherization	257,185
13. Office of the Secretary/Office of Economic Opportunity – HARRP	119,955
Transfers to Other State Agencies	
14. Department of Administration – N.C. State Commission of Indian Affairs	58,455
TOTAL LOW-INCOME ENERGY BLOCK GRANT	$ 66,800,448
CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT	
Local Program Expenditures	
Division of Child Development	
01. Subsidized Child Care Services	$165,102,685
02. Subsidized Child Care Services (TANF to CCDF)	81,292,880
DHHS Program Expenditures	
Division of Child Development	
03. Quality and Availability Initiatives	34,951,707
Local Administrations	
Division of Child Development	
04. Administrative Expenses (Non-Direct Subsidy Services Support)	1,849,000
DHHS Administration	
05. DCD Administrative Expenses	6,028,354
TOTAL CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT	$289,224,626
MENTAL HEALTH SERVICES BLOCK GRANT	
Local Program Expenditures	
01. Mental Health Services – Adult	$ 7,184,481

02.	Mental Health Services – Child	3,921,991
03.	Comprehensive Treatment Service Program	1,500,000
Local Administration		
04.	Division of Mental Health	100,000
TOTAL MENTAL HEALTH SERVICES BLOCK GRANT		$ 12,706,472
SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT		
Local Program Expenditures		
01.	Substance Abuse Services – Adult	$ 20,537,390
02.	Substance Abuse Treatment Alternative for Women	8,069,524
03.	Substance Abuse – HIV and IV Drug	4,816,378
04.	Substance Abuse Prevention – Child	5,835,701
05.	Substance Abuse Services – Child	4,940,500
06.	Substance Abuse Strengthening Families – Prevention	851,156
Division of Public Health		
07.	Risk Reduction Projects	383,980
08.	Aid-to-Counties	209,576
09.	Maternal Health	37,779
DHHS Administration		
10.	Division of Mental Health	500,000
TOTAL SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT		$ 46,181,984
MATERNAL AND CHILD HEALTH BLOCK GRANT		
Local Program Expenditures		
Division of Public Health		
01.	Healthy Mothers/Healthy Children	9,359,236
02.	Children's Health Services	4,114,216

03.	Healthy Beginnings	404,559
04.	Maternal Health	397,761
05.	Teen Pregnancy Prevention Initiatives	85,710
DHHS Program Expenditures		
Division of Public Health		
06.	Children's Health Services	3,149,826
07.	Maternal Health	185,488
08.	State Center for Health Statistics	29,432
09.	Local Technical Assistance & Training	47,424
10.	Injury and Violence Prevention	149,438
11.	Office of Minority Health	98,236
12.	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	22,856
13.	Immunization Program – Vaccine Distribution	414,175
DHHS Administration		
14.	Division of Public Health Administration	550,681
TOTAL MATERNAL AND CHILD HEALTH BLOCK GRANT		$ 19,009,038
PREVENTIVE HEALTH SERVICES BLOCK GRANT		
Local Program Expenditures		
01.	NC Statewide Health Promotion	$1,755,653
02.	Services to Rape Victims	197,112
03.	HIV/STD Prevention and Community Planning (Transfer from Social Services Block Grant)	145,819
DHHS Program Expenditures		
04.	NC Statewide Health Promotion	431,444
05.	Oral Health	114,251
06.	Osteoporosis Program	67,593
DHHS Administration		

07.	Division of Public Health	109,211
TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT		$2,821,083

COMMUNITY SERVICES BLOCK GRANT

Local Program Expenditures

Office of Economic Opportunity – Community Services Block Grant

01.	Community Action Agencies	$ 15,071,666
02.	Limited Purpose Agencies	823,261

DHHS Administration

03.	Office of Economic Opportunity	823,261
TOTAL COMMUNITY SERVICES BLOCK GRANT		$ 16,718,188

GENERAL PROVISIONS

SECTION 5.1.(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 5.1.(c) Changes in Federal Fund Availability. – If the Congress of the United States increases the federal fund availability for any of the 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 Department shall not propose funding for new programs or activities not appropriated in this section or increase State administrative expenditures.

If the Congress of the United States decreases the federal fund availability for any of the Block Grants administered by the Department of Health and Human Services from the amounts appropriated in this section, the Department shall reduce State administration by at least the percentage of the reduction in federal funds. After determining the State administration, the remaining reductions shall be allocated proportionately across the program and activity appropriations identified for that Block Grant in this section. In allocating a decrease in federal fund availability, the

Department shall not eliminate the funding for a program or activity appropriated in this section unless it is related to the State administration.

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 5.1.(d) All changes to the budgeted allocations to the 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 a report shall be submitted to the Joint Legislative Commission on Governmental Operations for review prior to implementing the changes. All changes to the budgeted allocations to the Block Grant 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 5.1.(e) The Department of Health and Human Services 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 on positions funded from federal Block Grants. The report shall include the following for each Block Grant:

(1) All State positions currently funded through the Block Grant, including permanent, temporary, and time-limited positions.
(2) Budgeted salary and fringe benefits for each position.
(3) Identify the percentage of Block Grant funds used to fund each position.

The report shall be submitted no later than December 1, 2006.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES BLOCK GRANT (TANF)

SECTION 5.1.(f) The sum of five hundred eighty-six thousand nine hundred thirty-one dollars ($586,931) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2006-2007 fiscal year shall be used to support administration of TANF-funded programs.

SECTION 5.1.(g) The sum of two million dollars ($2,000,000) appropriated under this section in the TANF Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2006-2007 fiscal year shall be used to provide domestic violence services to Work First recipients. These funds shall be used to provide domestic violence counseling, support, and other direct services to clients. These funds shall not be used to establish new domestic violence shelters or to facilitate lobbying efforts. The Division of Social Services may use up to seventy-five thousand dollars ($75,000) in TANF funds to support one administrative position within the Division of Social Services to implement this subsection.

Each county department of social services and the local domestic violence shelter program serving the county shall jointly develop a plan for utilizing these funds. The plan shall include the services to be provided and the manner in which the services shall be delivered. The county plan shall be signed by the county social services director or the director's designee and the domestic violence program director or the director's designee and submitted to the Division of Social Services by December 1, 2006. The Division of Social Services, in consultation with the Council for Women, shall review

the county plans and shall provide consultation and technical assistance to the departments of social services and local domestic violence shelter programs, if needed.

The Division of Social Services shall allocate these funds to county departments of social services according to the following formula: (i) each county shall receive a base allocation of five thousand dollars ($5,000); and (ii) each county shall receive an allocation of the remaining funds based on the county's proportion of the statewide total of the Work First caseload as of July 1, 2006, and the county's proportion of the statewide total of the individuals receiving domestic violence services from programs funded by the Council for Women as of July 1, 2006. The Division of Social Services may reallocate unspent funds to counties that submit a written request for additional funds.

SECTION 5.1.(h) The sum of two million two hundred forty-nine thousand six hundred forty-two dollars ($2,249,642) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2006-2007 fiscal year shall be used to expand after-school programs and services for at-risk children. The Department shall develop and implement a grant program to award grants to community-based programs that demonstrate the ability to reach children at risk of teen pregnancy, school dropout, and gang participation. The Department shall award grants to community-based organizations that demonstrate the ability to develop and implement linkages with local departments of social services, area mental health programs, schools, and other human services programs in order to provide support services and assistance to the child and family. These funds may be used to fund one position within the Division of Social Services to coordinate at-risk after-school programs and shall not be used for other State administration.

SECTION 5.1.(i) The sum of twelve million four hundred fifty-two thousand three hundred ninety-one dollars ($12,452,391) appropriated in this section to the Department of Health and Human Services, Division of Social Services, in the TANF Block Grant for the 2006-2007 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 postadoption services for eligible families.

SECTION 5.1.(j) The sum of three million dollars ($3,000,000) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services, Special Children Adoption Fund, for the 2006-2007 fiscal year shall be used in accordance with Section 10.48 of this act. 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 5.1.(k) The sum of one million eight hundred thousand dollars ($1,800,000) in this section appropriated to the Department of Health and Human Services in the TANF Block Grant for the 2006-2007 fiscal year shall be used to implement N.C. FAST (North Carolina Families Accessing Services through Technology). The N.C. FAST Program involves the entire automation initiative through which families access services and local departments of social services deliver benefits, supervised by the Department of Health and Human Services, Divisions of Social Services, Aging and Adult Services, Medical Assistance, and Child Development. The statewide automated initiative shall be implemented in compliance with federal regulations in order to ensure federal financial participation in the project. The Department of Health and Human Services shall report on its compliance with this

subsection 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 no later than January 1, 2007.

SECTION 5.1.(l) The sum of five hundred thousand dollars ($500,000) appropriated in this section to the Department of Health and Human Services, Division of Social Services, in the TANF Block Grant for the 2006-2007 fiscal year shall be used to expand after-school programs for at-risk children attending middle school. The Department shall develop and implement a grant program to award funds to community-based programs demonstrating the capacity to reach children at risk of teen pregnancy, school dropout, and gang participation. These funds shall not be used for training or administration at the State level. All funds shall be distributed to community-based programs, focusing on those communities where similar programs do not exist in middle schools.

SECTION 5.1.(m) In implementing the TANF Block Grant, the Department of Health and Human Services shall review policies, programs, and initiatives to ensure that they support men in their role as fathers and strengthen fathers' involvement in their children's lives. The Department shall encourage county departments of social services to ensure their Work First programs emphasize responsible fatherhood and increased participation by noncustodial fathers.

SECTION 5.1.(n) The sum of nineteen million five hundred ninety-eight thousand three hundred twenty-two dollars ($19,598,322) appropriated in this section to the Department of Health and Human Services, Division of Social Services, in the TANF Block Grant for the 2006-2007 fiscal year for county demonstration grants shall be used for Work First demonstration projects implemented by county departments of social services. The county demonstration grants may be awarded for up to three years with all projects ending no later than the end of fiscal year 2008-2009. The purpose of the county demonstration grants is to identify best practices that can be used by counties to improve the work participation rates for TANF recipients. The Division of Social Services is authorized to establish two time-limited positions to manage the grant award process and monitor the demonstration projects through fiscal year 2008-2009.

Funding provided under the county demonstration grants shall not be used to supplant local funds and counties shall be required to maintain the current level of effort and funding for the Work First program.

SOCIAL SERVICES BLOCK GRANT

SECTION 5.1.(o) Social Services Block Grant funds appropriated to the North Carolina Inter-Agency Council for Coordinating Homeless Programs and the North Carolina Housing Coalition are exempt from the provisions of 10A NCAC 71R.0201(3).

SECTION 5.1.(p) The sum of two million seven hundred forty-nine thousand six hundred forty-two dollars ($2,749,642) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services and transferred to the Department of Juvenile Justice and Delinquency Prevention for the 2006-2007 fiscal year shall be used to support the existing Support Our Students Program, including gang prevention, and to expand the Program statewide, focusing on low-income communities in unserved areas. These funds shall not be used for administration of the Program.

SECTION 5.1.(q) The sum of two million five hundred fifty thousand dollars ($2,550,000) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2006-2007 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) Support the Masters Degree in Social Work/Baccalaureate Degree in Social Work Collaborative.

(3) Provide training for residential child care facilities.
(4) Provide for various other child welfare training initiatives.

SECTION 5.1.(r) The sum of eight hundred thirty-eight thousand dollars ($838,000) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services for the 2006-2007 fiscal year shall be used to purchase services at maternity homes throughout the State.

SECTION 5.1.(s) The sum of one million seven hundred six thousand sixty-three dollars ($1,706,063) appropriated in this section in the Social Services Block Grant for child caring agencies for the 2006-2007 fiscal year shall be allocated to the State Private Child Caring Agencies Fund.

SECTION 5.1.(t) The sum of one million five hundred thousand dollars ($1,500,000) appropriated in this section to the Department of Health and Human Services in the Social Services Block Grant for Boys and Girls Clubs for the 2006-2007 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 encourage and facilitate collaboration between the Boys and Girls Clubs and Support Our Students, Communities in Schools, and similar programs to submit joint applications for the funds if appropriate.

SECTION 5.1.(u) 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.

LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM

SECTION 5.1.(v) 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.

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT

SECTION 5.1.(w) The sum of no more than four hundred thousand dollars ($400,000) appropriated in this section to the Department of Health and Human Services in the Child Care and Development Fund Block Grant for the 2006-2007 fiscal year may be used for the operations of the Medical Child Care Pilot.

SECTION 5.1.(x) 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 5.1.(y) 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.

MENTAL HEALTH BLOCK GRANT

SECTION 5.1.(z) The sum of one million five hundred thousand dollars ($1,500,000) appropriated in this section in the Mental Health Block Grant to the

Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the 2006-2007 fiscal year, and the sum of four hundred twenty-two thousand three dollars ($422,003) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2006-2007 fiscal year shall be used to continue a Comprehensive Treatment Services Program for Children in accordance with Section 10.25 of S.L. 2005-276.

SECTION 5.1.(aa) The Department of Health and Human Services shall contract with the University of North Carolina at Chapel Hill for the purpose of providing psychology student stipends in the amount of fifty thousand dollars ($50,000) for the 2006-2007 fiscal year. Twenty-five thousand dollars ($25,000) of this contract shall be paid from the Mental Health Block Grant.

MATERNAL AND CHILD HEALTH BLOCK GRANT

SECTION 5.1.(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 2006-2007 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). The Department of Public Instruction shall carefully and strictly follow federal guidelines in implementing and administering the abstinence education grant funds.

SECTION 5.1.(cc) The Department of Health and Human Services shall ensure that there will be follow-up testing in the Newborn Screening Program.

NER BLOCK GRANTS

SECTION 5.2.(a) Appropriations from federal block grant funds are made for fiscal year ending June 30, 2007, according to the following schedule:

COMMUNITY DEVELOPMENT BLOCK GRANT

01.	State Administration	$ 1,000,000
02.	Urgent Needs and Contingency	1,000,000
03.	Scattered Site Housing	13,200,000
04.	Economic Development	8,710,000
05.	Community Revitalization	13,500,000
06.	State Technical Assistance	450,000
07.	Housing Development	2,000,000
08.	Infrastructure	5,140,000
TOTAL COMMUNITY DEVELOPMENT BLOCK GRANT – 2007 Program Year		$ 45,000,000

SECTION 5.2.(b) Decreases in Federal Fund Availability. – If federal funds are reduced below the amounts specified above after the effective date of this act, then every program in each of these federal block grants shall be reduced by the same percentage as the reduction in federal funds.

Senate Money Report

Department of Health And Human Services

Health and Human Services

GENERAL FUND

	FY 06-07
Total Budget Approved 2005 Session	**$4,264,940,128**

Budget Changes

(1.0) Division of Medical Assistance

G

1 Revised Medicaid Forecast ($150,000,000) R

Reduces state appropriations for the Medicaid program based upon a revised forecast.

2 Ticket-To-Work Date Change ($150,000) R

Reduces funding for the Ticket-To-Work Program for FY 2006-07 because the implementation date has been changed to July 1, 2007.

3 Health Care Access Study $200,000 NR

G - modified

Provides funding to support the development of a plan to expand health care access for uninsured North Carolinians through the use of public/private partnerships, federal flexibility and resources, and promotion of charity care by health care providers.

4 Provider Rate Study $100,000 NR

G - modified

Provides funding to contract with independent consultants and financial experts to assist the Division in developing a proposal for an equitable standard to provide inflationary increases and other cost related increases to service providers in the Medicaid program.

(3.0) Division of Public Health

5 Eye Exams ($2,000,000) R

Eliminates funding for the Governor's Vision Care Program.

6 Early Intervention $7,103,147 R

G - modified

Provides funding to expand the capacity of the Early Intervention program for children ages birth to three in response to the increase in the number of children referred for services. 197.00

7 School Nurse Funding $4,500,000 R

G - modified

Provides recurring funding to support 65 school nurse positions previously supported on a time-limited basis by federal block grants. Also, provides funds to support an additional 25 new school nurse positions.

8 Universal Vaccine Program $6,526,095 R

G

Provides funding to expand coverage of the influenza and pertussis vaccines to all children ages two through five.

9 Health Disparities Initiative — $100,000 R

G-modified

Provides non-recurring funding for grants-in-aid awarded through the Community-Focused Eliminating Health Disparities Initiative (CFEHDI). Also, provides recurring funds to support one position to manage the program. — $1,900,000 NR, 1.00

10 Dental Preventive Services

G-modified

Provides funding for the fluoride mouth rinse program (FMR) targeted at schools with a high proportion of low income children who are high-risk for tooth decay. — $390,000 NR

11 Prevention of Pre-term Births

Provides funding to provide education to women on the benefits of progesterone for those who have had preterm births and to purchase medication for eligible minority and low-income women. — $150,000 NR

12 Antiviral Purchase for Pandemic Flu

G

Provides funding for the state match for federal funds to purchase and store 10,000 courses of influenza antiviral medication for the state's first responders. — $190,000 NR

13 Private Well Water Safety Program

G-modified

Provides funding for equipment and supplies required to test the anticipated additional private well water samples due to increased enforcement of well construction standards. Authorizes three positions to be supported through fee receipts. — $226,000 NR, 3.00

(4.0) Division of Mental Health, Developmental Disabilities, and Substance Abuse Services

14 ADATC — $5,191,815 R

G

Provides funding for personnel and operating support associated with the expansion of acute units at each of the State's three alcohol drug abuse treatment centers (ADATC). — 159.00

15 Developmental Therapies for DD — $29,435,119 R

LOC/G

Provides funding for a state-funded service to replace services lost due to changes in federal policy and cuts in federal support.

16 Mental Health Services — $8,000,000 R

LOC-modified

Provides funding for mental health services to be distributed to the Lead Management Entities (LMEs) such that each LME receives a percentage of the total allocation that is equal to that LME's percentage of the State's total population below the poverty level.

17 Substance Abuse Services — $8,000,000 R

LOC-modified

Provides funding for substance abuse services to be distributed to the LMEs such that each LME receives a percentage of the total allocation that is equal to that LME's percentage of the State's total population below the poverty level.

18 Housing Trust Fund - 400 Apartment Housing Initiative

Provides $11,250,000 in non-recurring funding to the North Carolina Housing Trust Fund for a 400 independent- and supportive-living apartment initiative recommended by the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services. These funds are for the financing of the portion of the 400 apartments not able to be financed within the existing means of the North Carolina Housing Finance Agency. Operating assistance for the 400 apartments will be provided from the funds in the next item. The apartments shall be for individuals with disabilities and shall be affordable to those with incomes at the Supplemental Security Income (SSI) level.

LOC

The funds for this item are located in the Housing Finance Agency section of this report.

19 Operating Cost Subsidy - 400 Apartment Initiative $1,205,000 R

Provides recurring operating cost subsidy for 400 independent- and supportive-living apartments for individuals with disabilities financed by the North Carolina Housing Finance Agency as described in the previous item. The apartments shall be affordable to those with incomes at the Supplemental Security Income (SSI) level.

LOC - modified

20 Supportive Services for HUD 811 Projects $713,000 R
$370,000 NR

Provides funding for on-going operations and start-up expenses to support 12 group home beds and 93 apartments financed through the United States Department of Housing and Urban Development.

LOC

21 Mental Health Trust Fund

Provides $5,000,000 non-recurring for the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs to be used in accordance with G.S. 143-15.3D. In addition to this direct appropriation from the General Fund, a portion of the excise tax on alcohol will be redirected from the General Fund to the Trust Fund on a permanent basis. A total of $9.39 million is anticipated to be deposited in the Trust Fund from the alcohol excise tax for the 2006-07 fiscal year.

LOC - modified

The funds for this item are located in the Statewide Reserves section of this report.

22 Funding to The North Carolina AHEC Program for Psychiatrist Recruitment

Provides $1,000,000 to the North Carolina Area Health Education Centers Program to recruit psychiatrists to rural and underserved areas to provide community services. The program may include student loan repayment.

LOC

The funds for this item are located in the UNC System section of this report.

23 Start-Up Funding for Crisis Services $5,250,000 NR

LOC-modified

Provides funding for start-up costs for crisis services to be used by LMEs to establish a continuum of regional crisis facilities and local crisis services for persons with mental illness, developmental disabilities, and substance abuse addictions.

24 State Service Dollars for Crisis Services $9,000,000 R

LOC

Provides funding for crisis services to be allocated to LMEs on a per capita basis. LMEs may use these funds to pay for mental health, developmental disabilities, or substance abuse crisis services provided to non-Medicaid eligible adults and children who are indigent and have no other third-party payment source.

25 Per Capita Funding for Psychiatrist Access $9,000,000 R

LOC

Provides funding to be allocated to the LMEs on a per capita basis to ensure access to core psychiatrist services.

26 Consultants to Aid the Division and LMEs $1,125,000 NR

LOC-modified

Provides funding for consultants to aid the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services and the LMEs with planning for crisis services, strategic planning, developing performance indicators, standardization, and capacity-building.

27 Strategic LME Team $300,000 R

3.00

LOC

Provides funding to be used for three positions to create a Local Management Entity (LME) Strategic Assistance Team. The Team shall assist LMEs develop, implement, and maintaining their statutory responsibilities.

(7.0) Divisions of Services for the Blind and Services for the Deaf and Hard of Hearing

28 Accessible Electronic Information for Blind and Disabled Persons $75,000 NR

Provides funding to continue accessible electronic information services for blind and disabled persons.

(8.0) Division of Child Development

29 Child Care Subsidy $20,000,000 R

G-modified

Provides funding to maintain existing caseload, implement 25% of the 2005 market rates for 3 to 5 star facilities, and remove children from the waiting list.

30 Smart Start $14,000,000 R

G-modified

Provides funding for local Smart Start initiatives, including subsidized child care.

31 Improve Regulatory Oversight $453,222 R $12,291 NR

10.00

G

Provides funding to create 10 positions in the Division of Child Development's Licensing Unit. Additional staff will reduce caseloads and allow for more frequent monitoring visits.

32 T.E.A.C.H. Program — $1,000,000 NR

Provides funding to the North Carolina T.E.A.C.H. Early Childhood® Project.

(9.0) Division of Education Services

33 Early Intervention Teachers for the Deaf and Hard of Hearing — $293,493 R

G

Provides funding to create eight additional teaching positions in the Early Intervention Program for Children who are Deaf or Hard of Hearing Program. — 8.00

34 Early Intervention Teachers for the Blind and Visually Impaired — $233,533 R

G

Provides funding for five additional teaching positions and one Orientation and Mobility Specialist at the Governor Morehead School for the Blind's Preschool. — 6.00

35 Language Interpreters — $121,771 R

G

Provides funding to create one language interpreter position at the North Carolina School for the Deaf in Morganton, one language interpreter position at the Governor Morehead School in Raleigh, and two language interpreter positions in the Early Intervention Program for Deaf and Hard of Hearing. — 4.00

36 Dormitory Supervisors at North Carolina School for the Deaf in Morganton — $39,730 R

G

Provides funding to create two additional Residential Life Attendants for the North Carolina School for the Deaf in Morganton. — 2.00

37 Housekeeper at North Carolina School for the Deaf in Morganton — $20,358 R

G

Provides funding to create one additional housekeeping staff at the North Carolina School for the Deaf in Morganton's. — 1.00

38 Behavior Specialists for Eastern North Carolina School for the Deaf — $45,663 R

G

Provides funding for two additional Behavior Programming Technicians at the Eastern North Carolina School for the Deaf for the Positive Behavior Support Program. — 2.00

39 Telemedicine for Children in Residential Schools — $24,000 R; $50,000 NR

G

Provides funding to implement telemedicine programs at the Western North Carolina School for the Deaf in Morganton and the Governor Morehead School for the Blind in Raleigh.

(10.0) Division of Social Services

40 Foster Care and Adoption Assistance Payments — $10,206,898 R

G

Provides funding to support the increased cost of the Foster Care and Adoption Assistance Programs.

41 Federal Budget Impact on Foster Care Services — $2,040,755 R

G

Provides funding to support the projected cost of additional foster care maintenance payments to be made to people caring for their relatives' children who choose to become licensed.

G

42 Paternity Testing for Child Support Enforcement — $151,500 R

Provides funding to support the loss of federal funds for paternity testing expenses.

43 Food Banks — $400,000 NR

Provides funding to be equally distributed to the regional network of food banks in North Carolina.

(11.0) Division of Aging and Adult Services

G

44 Home and Community Care Block Grant — $3,000,000 R

Provides funding for the Home and Community Care Block Grant Program.

(12.0) Office of the Secretary

G

45 Transfer More At Four Program to DPI — ($66,646,653) R

Transfers funding for the More At Four program to the Department of Public Instruction.

G

46 Utility and Fuel Cost Reserve — $1,271,533 NR

Provides funding to support the increased cost of utility services and fuel for state institutions operated by the Department of Health and Human Services.

G

47 MMIS Implementation

Transfers funding from the G.S 1423-23.2 reserve to continue to fund the state share of implementing the new Medicaid Management System (MMIS).

Total Requirements	$5,004,504
Transfer From Medicaid Reserve Fund	($5,004,504)
State Appropriation	0

G-modified

48 Public Awareness of Safe Surrender of Infants Campaign — $100,000 NR

Provides funding to inform the public of the Safe Surrender Act (S.L.2001-291).

Budget Changes	**($79,091,554)**	R
	$12,809,824	NR
Total Position Changes	396.00	
Revised Total Budget	**$4,198,658,398**	

Comparison of Distribution Methods for $16,000,000 for Mental Health and Substance Abuse Services

LME	Based on Population Below the Poverty Level			Based on Per Capita			Difference
	Population (as of 2000 Census) Below the Poverty Level	% of State's Population Below the Poverty Level	Allocation	Total Population (as of 2000 Census)	% of State's Total Population	Allocation	
Alamance-Caswell-Rockingham	29,012	3.03%	$ 484,206	240,492	3.08%	$ 492,980	$ (8,775)
Albemarle	15,402	1.61%	$ 257,057	111,942	1.43%	$ 229,468	$ 27,589
Catawba	12,688	1.32%	$ 211,761	139,713	1.79%	$ 286,395	$ (74,634)
CenterPoint	39,673	4.14%	$ 662,136	374,704	4.80%	$ 768,099	$ (105,963)
Crossroads	22,162	2.31%	$ 369,880	227,146	2.91%	$ 465,622	$ (95,742)
Cumberland	36,391	3.80%	$ 607,360	284,529	3.65%	$ 583,251	$ 24,109
Durham	28,557	2.98%	$ 476,612	213,558	2.74%	$ 437,769	$ 38,843
Eastpointe	44,580	4.65%	$ 744,033	275,092	3.52%	$ 563,906	$ 180,127
Edgecombe-Nash	22,161	2.31%	$ 369,864	139,952	1.79%	$ 286,885	$ 82,979
Five County	36,474	3.80%	$ 608,745	205,895	2.64%	$ 422,060	$ 186,685
Foothills	24,840	2.59%	$ 414,576	235,761	3.02%	$ 483,282	$ (68,707)
Guilford	43,227	4.51%	$ 721,452	408,205	5.23%	$ 836,772	$ (115,320)
Johnston	15,399	1.61%	$ 257,007	120,182	1.54%	$ 246,359	$ 10,648
Mecklenburg	62,652	6.54%	$ 1,045,652	681,210	8.73%	$ 1,396,400	$ (350,748)
Neuse	14,907	1.55%	$ 248,795	108,873	1.39%	$ 223,177	$ 25,619
New River	21,818	2.28%	$ 364,139	152,398	1.95%	$ 312,398	$ 51,741
Onslow-Carteret	23,185	2.42%	$ 386,954	189,543	2.43%	$ 388,541	$ (1,587)
Orange-Person-Chatham	24,264	2.53%	$ 404,962	192,180	2.46%	$ 393,946	$ 11,016
Pathways	38,521	4.02%	$ 642,909	343,631	4.40%	$ 704,403	$ (61,494)
Piedmont	53,072	5.54%	$ 885,763	578,790	7.42%	$ 1,186,451	$ (300,688)
Pitt	26,001	2.71%	$ 433,953	127,835	1.64%	$ 262,047	$ 171,906
Roanoke-Chowan	14,942	1.56%	$ 249,380	73,398	0.94%	$ 150,457	$ 98,922
Sandhills	62,162	6.48%	$ 1,037,474	465,705	5.97%	$ 954,640	$ 82,834
Smoky Mountain	22,946	2.39%	$ 382,965	166,118	2.13%	$ 340,522	$ 42,443
Southeastern	34,969	3.65%	$ 583,627	268,858	3.44%	$ 551,127	$ 32,500
Southeastern Regional	53,360	5.57%	$ 890,570	240,158	3.08%	$ 492,296	$ 398,274
Tideland	18,423	1.92%	$ 307,477	92,422	1.18%	$ 189,454	$ 118,023
Wake	47,685	4.97%	$ 795,855	609,489	7.81%	$ 1,249,380	$ (453,525)
Western Highlands	52,277	5.45%	$ 872,495	447,654	5.74%	$ 917,638	$ (45,143)
Wilson-Greene	16,917	1.76%	$ 282,342	89,895	1.15%	$ 184,274	$ 98,068
Total	**958,667**	**100%**	**$ 16,000,000**	**7,805,328**	**100%**	**$ 16,000,000**	**0**

MINUTES

JOINT APPROPRIATIONS SUBCOMMITTEE ON HEALTH AND HUMAN SERVICES

Wednesday, May 31, 2006
3:58 p.m.
Room 643, Legislative Office Building

The Joint Appropriations Subcommittee on Health and Human Services met Wednesday, May 31, 2006 at 3:58 p.m. in Room 643 of the Legislative Office Building. Members present were Representatives Verla Insko, Rep. Jeff Barnhart, Jean Farmer-Butterfield, Mary Hollo, Bernard Allen, William Current, Bob England and Paul Stam. Staff members present were Carol Shaw, Natalie Townes, and Andrea Russo. A copy of the roll denoting members present is attached to the minutes (Attachment I) along with a copy of the agenda and visitor registration sheet (Attachments II and III).

Rep. Verla Insko, presided, welcomed members and recognized the sergeants-at-arms: Martha Gadison, Earl Coker and Mark Cone and pages: Adam Martin of Surry County sponsored by Rep. Harrell, Tyler Wilmoth of Surry County sponsored by Rep. Harrell and Wendy Romine of Carteret County sponsored by Rep. Preston.

Rep. Insko explained to subcommittee members that no votes or final decisions will be made today. The meeting is for members to get a sense from each other what their priorities are, but not to make any final decisions. Rep. Insko requested subcommittee members to flag line items they wanted to discuss further or amend.

Rep. Insko then called on Carol Shaw, Fiscal Staff, to review the Budget Comparison Spreadsheet handout (Attachment IV) comparing the Governor's and Senate's budgets.

Ms. Shaw pointed out to subcommittee members that items without funds shown are placeholder items indicating where subcommittee members have expressed an interest in funding that item. Ms. Shaw then reviewed the spreadsheet comparing the Governor's and Senate's budgets item by item.

Ms. Shaw explained that in the Medical Assistance Section, lines 15-23 the Medicaid forecast was a Governor's item and also a Senate item. She then stated that the two study items, provider rate and health care access, were Governor's items. These items were not funded and are shown as a Governor's modified item.

Natalie Townes explained lines 29-47.

Rep. Insko flagged line 29, Vision Care Program. Since this is a Senate only item and is a $2 million reduction, Rep. Insko would like to discuss whether to keep this appropriation in the budget or resolve the problems by revising the bill.

Rep. Stam requested to flag line 31, Early Intervention, and asked Ms. Townes to explain the difference in funding between the Governor's and Senate's budget. Ms. Townes stated that the difference was 1 position and $32,000. Rep. Stam responded that it was important to provide funding to expand the capacity of the Early Intervention program for children ages birth to three and to increase the number of children referred for services. Rep. Stam requested $8 million be added to support the Early Intervention program.

Rep. Farmer-Butterfield flagged Line 32, Health Disparities Initiative, and requested $3 million be added in recurring funds.

Rep. Current requested Line 33, Dental Preventive Services, be flagged. He stated that funding for dental preventive services targeted at schools with a high proportion of low in come children who are high-risk for tooth decay is important.

Rep. England asked if there was a study committee recommendation for the Antiviral Purchase for Pandemic Flu on Line 35. Andrea Russo replied that the study committee on Emergency Preparedness recommended an appropriation of approximately $12.6 million, which would be the state's 75% share.

Rep. Insko flagged lines 36, 38, 39 and 40. Rep. Insko explained that these items were not requested from the Department or as a result of a study committee.

Rep. England flagged line 41, State Lab Planning Funds. He stated HB 2197 provided for establishing a new State Lab.

Andrea Russo explained the Vocational Rehabilitation Section, line 49.

Ms. Shaw explained the MH/DD/SAS Section, lines 53-74.

Rep. Insko flagged lines 53, 58, and 59. She explained that the Legislative Oversight Committee (LOC) recommended $21 million for both lines 58, Mental Health Services and Line 59, Substance Abuse Services. In addition, Rep. Insko flagged line 64, State-up Funding for Crisis Services. The LOC recommendation was $10.5 million, but the Senate only put in $5.25 million in their budget.

Rep. England requested line 66, Per Capita Funding for Psychiatrist Access, be flagged for further discussion.

Rep. Insko requested line 67, Funding to AHEC/Rural Health for Psychiatrists, be flagged in order to change the language to "funding to NC AHEC Program for Psychiatrist Recruitment."

Rep. England asked what "In UNC System" meant in margin. Andrea Russo explained that the funding for that particular item was located in the UNC System Section of the

budget. In addition, there are three items in the mental health section of the Senate's budget that refer to "In UNC System."

Rep. Farmer-Butterfield flagged line 70, Central Psych Hospital – IT and Equipment (3 positions). Jennifer explained that in the Governor's budget there was a $20 million non-recurring appropriation to finish constructing and equipping the new mental health hospital in Butner. The Senate chose to fund this item through COPS in their budget. Funding is included in both budgets, but the funding mechanism is different.

Rep. Allen flagged line 72, Wake County Psych. Hospital. He is co-sponsor of HB 1945 to establish the Wake County Psych. Hospital.

Natalie Townes continued with her explanation of the Child Development Section, lines 76-81.

Ms. Townes explained that on line 76, Child Care Subsidy, $20 million is requested in both the Governor's and Senate's budget. However, the use is different. In the Governor's budget the current service level is maintained and 2,900 children are removed from the waiting list. Senate budget provides funding to maintain the current service levels, implements 25% of the 3-5 star facilities, and removes 1,710 children from waiting list.

Rep. Wright asked how many children will remain on the waiting list and how much money it would take to eliminate the waiting list. Ms. Townes replied 32,400 children remain on list. Carol Shaw calculated it will take approximately $130 million to eliminate the waiting list.

Rep. Allen asked how a child is removed from the waiting list. Rob Kindsvatter, Director of the Division of Child Development, responded that each county sets its own criteria. When a client comes in and applies for services, based on the county's eligibility criteria, the child receives available funding. Rep. Allen asked if is up to the local county as to where the family will fall on this list? Rob Kindsvatter replied that funds are allotted at the start of the year based on a funding formula. Each county has an allocation to work with throughout the year and based upon those available funds the decision is made as to who gets priority in their county to receive services. The decision is made at the local level.

Reps. Stam and Wright requested line 77, Smart Start, be flagged.

Ms. Russo explained lines 83-91, Office of Education Services; lines 93-103 Social Services; line 104, Blind/Deaf; line 108, Aging 108; and lines 112-120, Central Management.

Rep. Insko flagged line 93, Child and Family Support Teams.

Rep. Farmer-Butterfield flagged line 96, Child Support Enforcement Call Center, to replace the Voice Response Unit and upgrade the telephone system for the Child Support Enforcement Call Center in Martin County.

Rep. Stam flagged line 113, Public Awareness of Safe Surrender of Infants. Rep. Stam stated that he would like the $100,000 to go toward the Safe Sleep Campaign instead of the Safe Surrender of Infants. Dr. Devlin supported Rep. Stam's request to shift the $100,000 appropriation from safe surrender to safe sleep. Dr. Devlin stated that based on the evidence over 100 children died while sleeping versus the 1 or 2 infants turned over every year. Sec. Odom objected stating that the safe surrender campaign was part of the Governor's Healthy Family Initiative to provide women with unwanted pregnancy options. Sec. Odom further stated that this program was successful all across the country in providing women, who find themselves with an unwanted pregnancy and in a desperate situation, a legal way to make sure their baby gets to a safe place. Publicity is needed to insure every woman in North Carolina understands safe surrender is an option for them. Rep. Barnhart stated that he was not against the program, but there needs to be consideration given to how best can money be spent.

Rep. Insko asked subcommittee members if they would like to add any supplemental items.

Rep. Insko then stated she would like to add $75,000 for El Futuro and Adolescent Pregnancy Prevention.

Rep. Allen requested H2149, Funds for Nursing Facility Rate Adjustments, be added to a supplemental list.

Rep. Barnhart would like to add H2386, Public Health Integrated Automation Funds, and appropriate $5,770,000 in state money for the health computer system.

Rep. Barnhart asked why does lines 40 and line 30 both deal with school nurses and if those lines could be combined. Rep. Barnhart asked if the state's goal is to have 750 students per nurse, when what is the long term plan for school nurses and how can this be accomplished.

Rep. England would like to add H2457, Funds for "Beginning" program for parents of deaf and hard of hearing children and H2371, Adult Care Home PCS Hours.

Rep. Allen requested H2012, Protect Private Drinking Water Wells be added.

Insko added H2411, Women's Health Services Funds.

Rep. Insko asked subcommittee members if they had additional items to add to the list to please submit them today. Staff will then compile a list for the subcommittee's review tomorrow. Rep. Insko stated that all supplemental and flagged items will be reviewed at tomorrow's meeting.

Rep. Insko then read a draft of the supplemental list which subcommittee members had already submitted to staff: Rep. Farmer-Butterfield - funding for the Special Care Center in Wilson and Child Health Care Collaborative; Rep. Insko - funding for El Futuro; Rep. Allen - H2149, Funds for Nursing Facility Rate Adjustment; Rep. Insko - Adolescent Pregnancy Prevention; Rep. Barnhart - H2389, Funds for ADAP; Rep. England - H2457, Funds for Beginnings and H2371, Adult Care Home PCS Hours; and Rep. Insko HB2411 Women's Health Service Funds.

Rep. Allen requested his bill H2012, Protect Private Drinking Well Waters, be removed from consideration since funding should come from DENR.

Rep. Barnhart requested H2149, Funds for Nursing Facility Rate Adjustment, and H1858 Funds for Rural Hospital Operations/Maintenance be added to the supplemental list.

In addition, Rep. England requested H2621, Funds for Western Highlands be added to the supplemental list for consideration.

Rep. Insko adjourned meeting at 6:14 p.m.

Rep. Verla Insko, Chair

Pamela J. Evans, Committee Assistant

Attachment I

ATTENDANCE

HOUSE APPROPRIATIONS SUBCOMMITTEE ON HEALTH AND HUMAN SERVICES

DATES	5/31/06														
INSKO, Verla CHAIR	✓														
BARNHART, Jeff CHAIR	✓														
FARMER-BUTTERFIELD, Jean VICE-CHAIR	✓														
HOLLO, Mark VICE-CHAIR	✓														
ALLEN, Bernard	✓														
CURRENT, William	✓														
ENGLAND, Bob	✓														
STAM, Paul	✓														
WRIGHT, Tom															
Ex officio Members															
Culpepper, Bill															
Cunningham, Pete															
Eddins, Rick															
Hackney, Joe															

House Pages

Name Of Committee: Health Date: 5/31/06

1. Name: Adam Martin
   County: Surry
   Sponsor: Harrell
2. Name: Tyler Wilmoth
   County: Surry
   Sponsor: Harrell
3. Name: Wendy Romine
   County: Carteret
   Sponsor: Preston
4. Name: _____
   County: _____
   Sponsor: _____
5. Name: _____
   County: _____
   Sponsor: _____

Sgt-At-Arms

1. Name: Mark Cone
2. Name: Earl Coker
3. Name: Marshall T. Gadson
4. Name: _____
5. Name: _____

AGENDA

House Appropriations Subcommittee on Health and Human Services

Legislative Office Building – Room 643
Wednesday, May 31, 2006

15 Minutes After Session

Committee Chairmen	*Representative Verla Insko, Co-Chair* *Representative Jeff Barnhart, Co-Chair*
I. Opening Remarks	*Committee Chairmen*
II. Budget Discussion	

Attachment III

VISITOR REGISTRATION SHEET

APPROPRIATIONS / Health and Human Services — May 31, 2006

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS

Attachment IV

Health and Human Services House Appropriations Subcommittee
FY 2006-07 Budget Comparison Document

	A	B	C	D	E	F	G	H	I	J	K
1			FY 2006-07								
2	2006-2007 Certified Budget:		$ 4,264,940,128								
3	Governor's Recommended Adjustments:		$ (54,911,076)								
4	Joint Target:		$ 4,213,376,865								
5	Expansions Allowed (Reductions Needed) from Certified Budget to		$ (51,563,263)								
6	Senate Recommended Adjustments:		$ (39,566,730)								
7	Additional Expansions Allowed (Reductions Needed):		$ (11,996,533)								
8	House Recommended Adjustments		$ (216,646,653)								
9	Additional Expansions Allowed (Reductions Needed):		$ 165,083,390								
10											
11	* Items with an asterisk were recommended by a study commission. The amount recommended may differ from the amount included.										
12			Governor's Recommended Adjustments 06-07			Senate Recommended Adjustments 06-07			House Recommended Adjustments 06-07		
13	Division	Item Description	Recurring	Non-Recurring	Total	Recurring	Non-Recurring	Total	Recurring	Non-Recurring	Total
14											
15	Medical Assistance	Revised Medicaid Forecast	(150,000,000)		(150,000,000)	(150,000,000)		(150,000,000)	(150,000,000)		(150,000,000)
16		Provider Rate Study					100,000	100,000			
17		Health Care Access Study					200,000	200,000			
18		Ticket-To-Work Medicaid Expansion				(150,000)		(150,000)			
19		Cap Medicaid County Share (HB 1968)									
20		Inflationary Increases for Medicaid Providers (various bills)									
21		Adult Care Homes PCS Increase (HB 2044)									
22											
23		**Medical Assistance Subtotal:**	**(150,000,000)**	**-**	**(150,000,000)**	**(150,150,000)**	**300,000**	**(149,850,000)**	**(150,000,000)**	**-**	**(150,000,000)**
24											
25	Health Choice										
26											
27		**Health Choice Subtotal:**	-	-	-	-	-	-	-	-	-
28											
29	Public Health	Vision Care Program				(2,000,000)		(2,000,000)			
30		School Nurse Funding	3,250,000		3,250,000	3,250,000		3,250,000			
31		Early Intervention (Governor - 196 Positions, Senate - 197 Positions)	7,061,108		7,061,108	7,103,147		7,103,147			
32		Health Disparities Initiative (Governor - 2 Positions, Senate - 1 Position)	2,080,406		2,080,406	100,000	1,900,000	2,000,000			
33		Dental Preventive Services	648,938		648,938		390,000	390,000			
34		*Universal Vaccine Program	6,526,095		6,526,095	6,526,095		6,526,095			
35		*Antiviral Purchase for Pandemic Flu		190,000	190,000		190,000	190,000			
36		Private Well Water Safety Program (3 Positions)	117,763	226,000	343,763		226,000	226,000			
37		Tick-Borne Infections Program (1 Position)	205,434		205,434						
38		Prevention of Pre-Term Births					150,000	150,000			
39	In UNC System Sect.	UNC Center for Maternal and Infant Care					75,000	75,000			
40		25 New School Nurses				1,250,000		1,250,000			
41		State Lab Planning Funds (HB 2197)									
42											
43		**Public Health Subtotal:**	**19,889,744**	**416,000**	**20,305,744**	**16,229,242**	**2,931,000**	**19,160,242**	-	-	-
44											
45	Facility Services										

Health and Human Services House Appropriations Subcommittee
FY 2006-07 Budget Comparison Document

	A	B	C	D	E	F	G	H	I	J	K
12			Governor's Recommended Adjustments 06-07			Senate Recommended Adjustments 06-07			House Recommended Adjustments 06-07		
13	Division	Item Description	Recurring	Non-Recurring	Total	Recurring	Non-Recurring	Total	Recurring	Non-Recurring	Total
14											
46											
47		**Facility Services Subtotal:**	-	-	-	-	-	-	-	-	-
48											
49	**Voc. Rehab.**	Assistive Technology Waiting List (4 Positions)	699,856		699,856						
50											
51		**Voc. Rehab Subtotal:**	**699,856**	-	**699,856**	-	-	-	-	-	-
52											
53	**MH/DD/SAS**	Child and Family Support Teams	523,638		523,638						
54		Gov's Expand Community-Based Services Capacity	16,000,000		16,000,000						
55		Gov's MHTF Funding		15,000,000	15,000,000						
56		*Developmental Therapies for DD	29,435,119		29,435,119	29,435,119		29,435,119			
57		Initiatives for Healthy Families (1 Position)	1,800,000		1,800,000						
58		*Mental Health Services				8,000,000		8,000,000			
59		*Substance Abuse Services				8,000,000		8,000,000			
60	In HFA Section	*Housing Trust Fund - 400 Apartments					11,250,000	11,250,000			
61		*Operating Cost Subsidy for 400 Apartments				1,205,000		1,205,000			
62		*Supportive Services for 811 Projects				713,000	370,000	1,083,000			
63	In Statewide Reserves Section	*MHTF for Community-Based Services (Divert 5% of Alcohol Tax for Recurring Funding)				9,390,000	5,000,000	14,390,000			
64		*Start-Up Funding for Crisis Services					5,250,000	5,250,000			
65		*State Service Dollars for Crisis Services				9,000,000		9,000,000			
66	In UNC System Sect.	*Per Capita Funding for Psychiatrist Access				9,000,000		9,000,000			
67		*Funding to AHEC/Rural Health for Psychiatrists				1,000,000		1,000,000			
68		*Consultants to Aid Division and LMEs					1,125,000	1,125,000			
69		*Strategic LME Team (3 Positions)				300,000		300,000			
70		Central Psych Hospital - IT and Equipment (3 Positions)	1,706,461	20,000,000	21,706,461	Funded with COPS					
71		Operating Funds for ADATC Renovations (159 Positions)	5,191,815		5,191,815	5,191,815		5,191,815			
72		Wake County Psych. Hospital (HB 1945)									
73											
74		**MH/DD/SAS Subtotal:**	**54,657,033**	**35,000,000**	**89,657,033**	**81,234,934**	**22,995,000**	**104,229,934**	-	-	-
75											
76	**Child Development**	Child Care Subsidy	20,000,000		20,000,000	20,000,000		20,000,000			
77		Smart Start	10,000,000		10,000,000	14,000,000		14,000,000			
78		Improve Regulatory Oversight (10 Positions)	453,222	12,291	465,513	453,222	12,291	465,513			
79		T.E.A.C.H. Program					1,000,000	1,000,000			
80											
81		**Child Development Subtotal:**	**30,453,222**	**12,291**	**30,465,513**	**34,453,222**	**1,012,291**	**35,465,513**	-	-	-
82											
83	**Office of Education Services (OES)**	Early Intervention Teachers for the Deaf and Hard of Hearing (8 Positions)	293,493		293,493	293,493		293,493			
84		Early Intervention Teachers for the Blind and Visually Impaired (6 Positions)	233,533		233,533	233,533		233,533			

Health and Human Services House Appropriations Subcommittee
FY 2006-07 Budget Comparison Document

	A	B	C	D	E	F	G	H	I	J	K
12			Governor's Recommended Adjustments 06-07			Senate Recommended Adjustments 06-07			House Recommended Adjustments 06-07		
13	Division	Item Description	Recurring	Non-Recurring	Total	Recurring	Non-Recurring	Total	Recurring	Non-Recurring	Total
14											
85	OES (cont.)	Language Interpreters (4 Positions)	121,771		121,771	121,771		121,771			
86		Dormitory Supervisors at North Carolina School for the Deaf in Morganton (2 Positions)	39,730		39,730	39,730		39,730			
87		Housekeeper at North Carolina School for the Deaf in Morganton (1 Position)	20,358		20,358	20,358		20,358			
88		Behavior Specialists for Eastern North Carolina School for the Deaf (2 Positions)	45,663		45,663	45,663		45,663			
89		Telemedicine for Children in Residential Schools	24,000	50,000	74,000	24,000	50,000	74,000			
90											
91		**OES Subtotal:**	**778,548**	**50,000**	**828,548**	**778,548**	**50,000**	**828,548**	-	-	-
92											
93	Social Services	Child and Family Support Teams	720,804		720,804						
94		Federal Budget Impact on Foster Care Services	2,040,755		2,040,755	2,040,755		2,040,755			
95		Foster Care and Adoption Assistance Payments	10,206,898		10,206,898	10,206,898		10,206,898			
96		Child Support Enforcement Call Center		2,287,393	2,287,393						
97		Paternity Testing for Child Support Enforcement	151,500		151,500	151,500		151,500			
98		Food Banks					400,000	400,000			
99		Foster Care and Adopion Assistance Payment Rate Increases									
100		State/County Special Assistance Rate Increase (HB 2044)									
101											
102		**Social Services Subtotal:**	**13,119,957**	**2,287,393**	**15,407,350**	**12,399,153**	**400,000**	**12,799,153**	-	-	-
103											
104	Blind/ Deaf	Accessible Electronic Information for Blind and Disabled Persons					75,000	75,000			
105											
106		**Blind/Deaf Subtotal:**	-	-	-	-	**75,000**	**75,000**	-	-	-
107											
108	Aging	*Home and Community Care Block Grant	3,000,000		3,000,000	3,000,000		3,000,000			
109											
110		**Aging Subtotal:**	**3,000,000**	-	**3,000,000**	**3,000,000**	-	**3,000,000**	-	-	-
111											
112	Central Mgmt.	Transfer More at Four to DPI	(66,646,653)		(66,646,653)	(66,646,653)		(66,646,653)	(66,646,653)		(66,646,653)
113		Public Awareness of Safe Surrender of Infants	100,000		100,000		100,000	100,000			
114		MMIS System				Medicaid Reserve Fund					
115		Reserve for Utility and Fuel Costs		1,271,533	1,271,533		1,271,533	1,271,533			
116		Adult Day Care Rate Increase (HB 2058)									
117		Community Health Center Grants (HB 2063)									
118											
119		**Central Management Subtotal:**	**(66,546,653)**	**1,271,533**	**(65,275,120)**	**(66,646,653)**	**1,371,533**	**(65,275,120)**	**(66,646,653)**	-	**(66,646,653)**
120											
121	Grand Total:		**(93,948,293)**	**39,037,217**	**(54,911,076)**	**(68,701,554)**	**29,134,824**	**(39,566,730)**	**(216,646,653)**	-	**(216,646,653)**

MINUTES

HOUSE APPROPRIATIONS SUBCOMMITTEE ON HEALTH AND HUMAN SERVICES

THURSDAY, JUNE 1, 2006
8:30 AM
ROOM 424 LEGISLATIVE OFFICE BUILDING

The House Appropriations subcommittee on Health and Human Services met on Thursday, June 1, 2006 at 8:30 am in room 424 of the Legislative Office Building. House members present were Representative Jeff Barnhart, Representative Verla Insko, Co-Chairs; Representative Farmer-Butterfield, Representative Hollo, Vice-Chairs; Representatives B. Allen, Current, England, and Stam. Members of the NCGA Fiscal Research Division and members of the NC Department of Health and Human Services were present. Visitors signed the visitor registration sheet and it is attached to these minutes.

Representative Barnhart called the meeting to order and presided over the meeting. A discussion was held on the handout FY 2006-07 Budget Comparison Document, and the members of the committee listed their priorities for the House budget revisions.

Carol Shaw from the Fiscal Research Division and her staff answered questions and provided computer support.

Representative Barnhart adjourned the meeting at 10 am.

Jeff Barnhart
Representative Jeff Barnhart, Co-Chairman

Pamela Ahlin, Committee Assistant

Attachments:
Handouts
Visitor Registration

VISITOR REGISTRATION SHEET

APPROPRIATIONS/ Health and Human Services — June 1, 2006

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Rebecca Troutman	NCACC
Mary Bethea	AARP- NC
Deborah Rowe	NCPNA / NCALHD
Chris Hall	DPHS
Kellie Visker	AARP
Dick Carlton	Attorney
MARCIA RAO	DHHS-DMA
JoAnn Lamm	DHHS-DSS
Steve Mitchell	Novartis
Evelyn Hawthorne	DTGR
Lyn Wilson	NCAFCF
Fred Woodell	Eastern Seals UCP
Jim Edgerton	DMH
Bob Rice	DCD
Bubba Jennings	B+G Planning Group

VISITOR REGISTRATION SHEET

APPROPRIATIONS/ Health and Human Services — June 1, 2006

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Tom Bennett	NCARF
Cynthia Lee	HHS
J Craig Lee	HHS
Kris Horton	DMA
Jim Slate	DHHS
Leah Devlin	DHHS
Shannon Ramsey	DHHS
Nick Woodley	"
Lora Wainwright	"
Mullyn Griffin	"
Jan Rose	AHHC
Sherry Bradsher	DHHS / DSS
Arnold S. Cook	Dwight S. Chadwick

VISITOR REGISTRATION SHEET

APPROPRIATIONS/ Health and Human Services — June 1, 2006

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
BRIAN SHANK	ASTRAZENECA
[illegible]	NCLHW
[illegible]	NCPC
Sandra Hedrick	RHA Howell
Bill Rustin	AZP
Wayne William	OSBM
Debbi Barnes	OSBM
Angie Bone	Bone + Assoc
Liz Sawitt	NC Child Care Coalition
Daphne Lyon	OSBM
Jan Smith	DSS

VISITOR REGISTRATION SHEET

APPROPRIATIONS/ Health and Human Services — June 1, 2006

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Pam Kilpatrick	OSBM
Joanne Stevens	NCNA
Dave Rehnrel	The Nra - C 2001
[illegible]	NHA-NC C-2001
Jennifer Mahan	MHAoNC / Coalition 2001
Janice Freedman	NCHSF
[illegible]	Wake Med
DAVID BARNES	Powers Sprull
[illegible]	Smith Anderson
Lu Hodge	NCCH
Angie Harris	Maupin Taylor

VISITOR REGISTRATION SHEET

APPROPRIATIONS/ Health and Human Services — June 1, 2006

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Stacy Flannery	NCHCFA
Barbara Carlew	BFGR
HUGH TILSON	NCHA
KAM BARNES	OSBM
	NCPA
John Brandt	Cabinet Office
Cathy Liggins	Gov. Office

Health and Human Services House Appropriations Subcommittee
FY 2006-07 Budget Comparison Document

	A	B	C	D	E	F
1			FY 2006-07			
2	**2006-2007 Certified Budget:**		**$ 4,264,940,128**			
3	**Joint Target:**		**$ 4,213,376,865**			
4	**Expansions Allowed (Reductions Needed) from Certified Budget to Reach Target:**		**$ (51,563,263)**			
5	**House Recommended Adjustments**		**$ 227,041,931**			
6	**Additional Expansions Allowed (Reductions Needed):**		**$ (278,605,194)**			
7						
8	* Items with an asterisk were recommended by a study commission. The amount recommended may differ from the amount included.					
9						
10	**Division**	**Item Description**	**Recurring**	**Non-Recurring**	**Total**	**Notes**
11						
12	**Medical Assistance**	Revised Medicaid Forecast	(150,000,000)		(150,000,000)	Governor, Senate
13		Provider Rate Study		100,000	100,000	Governor-modified, Senate
14		Health Care Access Study		200,000	200,000	Governor-modified, Senate
15		Ticket-To-Work Medicaid Expansion	(150,000)		(150,000)	Senate
16		**Medicaid County Share**	**65,000,000**		**65,000,000**	**H1968**
17		**Adult Care Homes PCS Increase**	**30,000,000**		**30,000,000**	**H2044**
18		**Adult Care Homes PCS Hours Starting Date Shift**		**73,000**	**73,000**	**H2371**
19		**Funds for Nursing Facility Rate Adjustment**	**23,000,000**		**23,000,000**	**H2149**
20		**Rebase Medicaid PCS Rates**	**12,000,000**		**12,000,000**	**H2743**
21		**Funds for Telemonitoring**	**3,000,000**		**3,000,000**	**H2575**
22		**CAP MR/DD Slots**	**3,000,000**		**3,000,000**	**H708**
23						
24		**Medical Assistance Subtotal:**	**(14,150,000)**	**373,000**	**(13,777,000)**	
25						
26	**Public Health**	Vision Care Program	-		-	**House Request**
27		School Nurse Funding for 65 Existing Nurses	3,250,000		3,250,000	Governor, Senate
28		25 New School Nurses	1,250,000		1,250,000	Senate
29		Early Intervention	15,561,108		15,561,108	Governor-modified, Senate-modified, **HB1944**
30		Health Disparities Initiative	3,000,000		3,000,000	Governor-modified, Senate-modified, **House Request**
31		Dental Preventive Services	648,938		648,938	Governor, Senate-modified, **House Request**
32		*Universal Vaccine Program	6,526,095		6,526,095	Governor, Senate
33		*Antiviral Purchase for Pandemic Flu		190,000	190,000	Governor, Senate
34		Private Well Water Safety Program	117,763	226,000	343,763	Governor, Senate-modified
35		Tick-Borne Infections Program	205,434		205,434	Governor
36		**Prevention of Pre-Term Births**		**150,000**	**150,000**	**Senate**

Health and Human Services House Appropriations Subcommittee
FY 2006-07 Budget Comparison Document

	A	B	C	D	E	F
9						
10	**Division**	**Item Description**	**Recurring**	**Non-Recurring**	**Total**	**Notes**
11						
37		**UNC Center for Maternal and Infant Care**		**75,000**	**75,000**	**Senate**
38	**Public Health (cont.)**	**State Lab Funds (First Year Requirements)**		**5,200,000**	**5,200,000**	**H2197**
39		**Adolecent Pregnancy Prevention**		**200,000**	**200,000**	**H2747**
40		**Public Health Integrated Automation Funds (HIS)**		**5,770,326**	**5,770,326**	**H2386**
41		**Women's Health Services Fund**		**450,000**	**450,000**	**H2411**
42		**Funds for ADAP**	**5,000,000**		**5,000,000**	**H2389**
43		**Funds to Prevent Child Maltreatment**	**90,000**		**90,000**	**H2062**
44		**Funds for Healthy Start Foundation**	**1,000,000**		**1,000,000**	**S1654**
45						
46		**Public Health Subtotal:**	**36,649,338**	**12,261,326**	**48,910,664**	
47						
48	**Facility Services**	**Funds for Health Planning**	**1,000,000**		**1,000,000**	**H2375**
49						
50		**Facility Services Subtotal:**	**1,000,000**	-	**1,000,000**	
51						
52	**Voc. Rehab.**	Assistive Technology Waiting List	699,856		699,856	Governor
53						
54		**Voc. Rehab Subtotal:**	**699,856**	-	**699,856**	
55						
56	**MH/DD/SAS**	Child and Family Support Teams	523,638		523,638	Governor, **House Request**
57		*Developmental Therapies for DD	29,435,119		29,435,119	LOC, Governor, Senate
58		Initiatives for Healthy Families	1,800,000		1,800,000	Governor
59		*Mental Health Services	15,000,000		15,000,000	LOC-modified, Senate-modified, **House Request**
60		*Substance Abuse Services	15,000,000		15,000,000	LOC-modified, Senate-modified, **House Request**
61		*Housing Trust Fund - 400 Apartments		11,250,000		LOC, Senate
62		*Operating Cost Subsidy for 400 Apartments	1,205,000		1,205,000	LOC-modified, Senate
63		*Supportive Services for 811 Projects	713,000	370,000	1,083,000	LOC, Senate
64		*MHTF for Community-Based Services (Divert 5% of Alcohol Tax for Recurring Funding)	9,390,000	5,000,000	14,390,000	LOC-modified, Senate
65		*Start-Up Funding for Crisis Services		5,250,000	5,250,000	LOC-modified, Senate
66		*State Service Dollars for Crisis Services	9,000,000		9,000,000	LOC, Senate
67		*Per Capita Funding for Psychiatrist Access	9,000,000		9,000,000	LOC, Senate
68		*Funding to AHEC for Psychiatrists	1,000,000		1,000,000	LOC, Senate
69		*Consultants to Aid Division and LMEs		1,125,000	1,125,000	LOC-modified, Senate
70		*Strategic LME Team	3,000,000		3,000,000	LOC, Senate

Health and Human Services House Appropriations Subcommittee
FY 2006-07 Budget Comparison Document

	A	B	C	D	E	F
9						
10	**Division**	**Item Description**	**Recurring**	**Non-Recurring**	**Total**	**Notes**
11						
71	**MH/DD/SAS (cont.)**	Central Psych Hospital - IT and Equipment	1,706,461	20,000,000	21,706,461	Governor, Senate-modified
72		Operating Funds for ADATC Renovations	5,191,815		5,191,815	Governor, Senate
73		**Wake County Psych. Hospital**		**10,000,000**	**10,000,000**	**H1945**
74		**NC Special Care Center Funds**	**1,706,509**		**1,706,509**	**H2738**
75		**Funds for El Futuro, Inc.**		**75,000**	**75,000**	**H2522**
76		**Funds for Western Highlands**		**577,595**	**577,595**	**H2621**
77		**Funds for TROSA**		**500,000**	**500,000**	**H2376**
78		**Flexible DD Funds**	**2,000,000**		**2,000,000**	**H708**
79						
80		**MH/DD/SAS Subtotal:**	**105,671,542**	**54,147,595**	**159,819,137**	
81						
82	**Child Development**	Child Care Subsidy	20,000,000		20,000,000	Governor, Senate, **House Request**
83		Smart Start	14,000,000		14,000,000	Governor-modified, Senate, **House Request**
84		Improve Regulatory Oversight (10 Positions)	453,222	12,291	465,513	Governor, Senate
85		**T.E.A.C.H. Program**		**1,000,000**		**Senate**
86						
87		**Child Development Subtotal:**	**34,453,222**	**1,012,291**	**35,465,513**	
88						
89	**Office of Education Services (OES)**	Early Intervention Teachers for the Deaf and Hard of Hearing (8 Positions)	293,493		293,493	Governor, Senate
90		Early Intervention Teachers for the Blind and Visually Impaired (6 Positions)	233,533		233,533	Governor, Senate
91		Language Interpreters (4 Positions)	121,771		121,771	Governor, Senate
92		Dormitory Supervisors at North Carolina School for the Deaf in Morganton (2 Positions)	39,730		39,730	Governor, Senate
93		Housekeeper at North Carolina School for the Deaf in Morganton (1 Position)	20,358		20,358	Governor, Senate
94		Behavior Specialists for Eastern North Carolina School for the Deaf (2 Positions)	45,663		45,663	Governor, Senate
95		Telemedicine for Children in Residential Schools	24,000	50,000	74,000	Governor, Senate
96		**Funds for "Beginnings"**		**168,235**	**168,235**	**H2457**
97						
98		**OES Subtotal:**	**778,548**	**218,235**	**996,783**	
99						
100	**Social Services**	Child and Family Support Teams	720,804		720,804	Governor, **House Request**

Health and Human Services House Appropriations Subcommittee
FY 2006-07 Budget Comparison Document

	A	B	C	D	E	F
9						
10	**Division**	**Item Description**	**Recurring**	**Non-Recurring**	**Total**	**Notes**
11						
101		Federal Budget Impact on Foster Care Services	4,500,000		4,500,000	Governor-modified, Senate-modified, **H2240**
102		Foster Care and Adoption Assistance Payments	10,206,898		10,206,898	Governor, Senate
103		Child Support Enforcement Call Center		2,287,393	2,287,393	Governor, **House Request**
104		Paternity Testing for Child Support Enforcement	151,500		151,500	Governor, Senate
105		**Food Banks**		**400,000**	**400,000**	**Senate**
106		**State/County Special Assistance Rate Increase**	**10,000,000**		**10,000,000**	**H2044**
107		**Foster Care and Adoption Assistance Payments Rate Increase**	**2,266,753**		**2,266,753**	**House Request**
108		**Child Welfare Collaborative**	**2,800,000**		**2,800,000**	**H486**
109						
110		**Social Services Subtotal:**	**30,645,955**	**2,687,393**	**33,333,348**	
111						
112	**Blind/ Deaf**	**Accessible Electronic Information for Blind and Disabled Persons**		**75,000**	**75,000**	**Senate, House Request**
113						
114		**Blind/Deaf Subtotal:**		**75,000**	**75,000**	
115						
116	**Aging**	*Home and Community Care Block Grant	3,000,000		3,000,000	Governor, Senate
117		**Adult Day Care Rate Increase**	**1,043,750**		**1,043,750**	**H2058**
118		**Funds for WIN A STEP-UP**		**250,000**	**250,000**	**H2365**
119						
120		**Aging Subtotal:**	**4,043,750**	**250,000**	**4,293,750**	
121						
122	**Central Mgmt.**	Transfer More at Four to DPI	(66,646,653)		(66,646,653)	Governor, Senate
123		Public Awareness of Safe Surrender of Infants	100,000		100,000	Governor-modified, Senate
124		Reserve for Utility and Fuel Costs		1,271,533	1,271,533	Governor, Senate
125		**Community Health Center Grants**		**15,000,000**		**H2063**
126		**Funds for Rural Hospital Operations/Maintenance**		**6,000,000**		**H1858**
127		**Funds for Institute of Medicine**		**500,000**		**H2150**
128						
129		**Central Management Subtotal:**	**(66,546,653)**	**22,771,533**	**(43,775,120)**	
130						
131	**Grand Total:**		**133,245,558**	**93,796,373**	**227,041,931**	

MINUTES

JOINT APPROPRIATIONS SUBCOMMITTEE ON HEALTH AND HUMAN SERVICES

Thursday, June 8, 2006
5:15 p.m.
Room 643, Legislative Office Building

The Joint Appropriations Subcommittee on Health and Human Services met Thursday, June 8, 2006 at 5:15 p.m. in Room 643 of the Legislative Office Building. Members present were Representatives Verla Insko, Rep. Jeff Barnhart, Jean Farmer-Butterfield, Mary Hollo, Bernard Allen, William Current, Bob England and Paul Stam. Staff members present were Carol Shaw, NatalieTownes, Jennifer Hoffmann, and Andrea Russo. A copy of the roll denoting members present is attached to the minutes (Attachment I) along with a copy of the agenda and visitor registration sheet (Attachments II and III).

Rep. Verla Insko, presided, welcomed members and recognized the sergeants-at-arms: Martha Gadison, Earl Coker and Mark Cone and Nell Casper. No pages were present.

Rep. Insko reviewed the Rules for Subcommittee Procedure (Attachment IV and called upon Carol Shaw to review the House Appropriations Subcommittee on Health and Human Services Money Report.

Money Report

Ms. Shaw referred members to the Money Report (Attachment V) and reviewed Items 1-6 under Section 1, Division of Medical Assistance.

Andrea Russo provided an explanation for Items 7-16 under Section 3.0 Division of Public Health and Item 17 under Section 4.0 Division of Mental Health, Developmental Disabilities and Substance Abuse Services.

Natalie Townes continued with an explanation of Items 18-27 of the Division of Mental Health, Developmental Disabilities and Substance Abuse and explained Items 28-31 of Section 8, Division of Child Development, Items 32-39 of Section 9.0 Division of Education Services and Items 40-44 of Section 10.0 Division of Social Services.

Rep. Allen referred to Page G-7, Item 44, Food Banks, and inquired if the $1 million was an increase from the Governor's Budget. Ms. Russo explained that funding for food banks was not in the Governor's budget; however the Senate had proposed $400,000 in their budget.

Carol Shaw continued her explanation of Item 45 under Section 10, Division of Social Services, Items 46-48 under Section 11.0 Division of Aging and Adult Services, and Items 49-53 under Section 12.0 Office of the Secretary. Ms. Russo completed Section 12.0 with her explanation of Items 54-57.

Rep. Allen asked if there was funding in the budget for Planned Parenthood. Ms. Shaw stated that while there was no specific item in the budget, Planned Parenthood received funding through Women's Health Services. (Page G-2, Item 12)

Rep. England referred to Page G-1, Item 4, Inflationary Increases, and asked how will it be done and by whom. Ms. Shaw explained that this is not the full amount to restore all the inflationary increases that were removed from this budget. It is a partial restoration and the Department will have to prorate it based on how they would have allotted the full $65 million.

Rep. England referred to Page G-4, Page 23, Mental Health Trust Fund, and asked where guidelines will come from to improve psychiatrist access for public consumers and how the $2 millions will be used. Rep. Insko explained that will be a special provision. Since most of the money for improving psychiatric access appears in the Secretary Section, the planning will come through the Secretary's office. Some of the funding will go toward the Education budget for AHEC and some will go to Rural Health.

Special Provisions

Ms. Shaw reviewed pages 1-18 of the Special Provisions (Attachment VI) and noted on Page 17A that lines 7-19 were deleted which referenced appropriations of $1 million to implement a pilot program to evaluate the use of telemonitoring equipment in home care services and community-based long term care services.

Rep. England referred to Page 12A, CAP Medicaid County Share, and asked how the $18 million differed from the other discussions from the Medicaid Subcommittee that talked about requiring $30 to reach that goal. Ms. Shaw replied that the $18 million figure was based on data from December. Medicaid expenditures have not grown nearly as fast in the last of the fiscal year and based upon our projections which we used to do $150 million reduction we have concluded it will take about $18 million to cover that cap.

Ms. Russo continued with her review of Page 19-34. She then skipped to page 42 and provided a breakdown of funds. Ms. Russo then explained pages 35-38 and Ms. Shaw concluded with pages 39-60.

Rep. England referred to Page 40, beginning on line 11 with the sentence, "Among the strategies to be considered..." and asked if it the language was interpreted to include changes that we anticipate to will probably occur from the federal deficient reduction act of 2005 as it changes reimbursement for the costs of drugs and moves it to an average manufacturer's cost which most people feel will be a less amount of reimbursement. Ms. Shaw replied that it was not mentioned in this section; however, the Department is not

prohibited from saying that and suggested that Rep. England could amend that language if he would like to do so.

Amendments

Rep. Farmer-Butterfield offered an amendment (Attachment VII) to the Money Report on Page G-5, Item 29, by inserting at the end of the paragraph the following language to read: "$400,000 shall be allocated to the North Carolina Partnership for Children, Inc. for operating support". Rep. Insko made motion for the adoption of amendment. Amendment was adopted.

Gann Watson offered an amendment for Rep. England to the Special Provisions on Page 40, line 14 adding the following language: "as part of this effort the Department shall also determine the impact of the deficit reduction act of 2005 and the payment for generic drugs under the Medicaid program." Motion seconded and adopted.

Rep. Wright stated his intentions to offer an amendment at the next meeting (Tuesday)

Rep. Barnhart made motion to adopt Money Report and Special Provisions, roll amendments in report and authorize staff to make technical amendments. Motion seconded and adopted. Rep. Allen voted no.

Meeting adjourned at 6:25 p.m.

Rep. Verla Insko, Chair

Pamela J. Evans, Committee Assistant

ATTENDANCE

HOUSE APPROPRIATIONS SUBCOMMITTEE ON HEALTH AND HUMAN SERVICES

DATES	06/08/06														
INSKO, Verla CHAIR	✓														
BARNHART, Jeff CHAIR	✓														
FARMER-BUTTERFIELD, Jean VICE-CHAIR	✓														
HOLLO, Mark VICE-CHAIR	✓														
ALLEN, Bernard	✓														
CURRENT, William	✓														
ENGLAND, Bob	✓														
STAM, Paul	✓														
WRIGHT, Tom															
Ex officio Members															
~~Culpepper, Bill~~															
Cunningham, Pete															
Eddins, Rick															
Hackney, Joe															

House Pages

Name Of Committee: ~~Human Res~~ Health Date: 4/8/06

1. Name: Katie Kapp
   County: Wake
   Sponsor: Rep. Deborah Ross
2. Name: Samantha Cernuto
   County: Iredell
   Sponsor: Rep. Karen Ray
3. Name: _____
   County: _____
   Sponsor: _____
4. Name: _____
   County: _____
   Sponsor: _____
5. Name: _____
   County: _____
   Sponsor: _____

Sgt-At-Arms

1. Name: Bill Casper
2. Name: Earl Coker
3. Name: Martha Madison
4. Name: Mark O'Connor
5. Name: _____

AGENDA

HOUSE APPROPRIATIONS SUBCOMMITTEE ON HEALTH AND HUMAN SERVICES

June 8, 2006
Room 643 LOB

OPENING REMARKS

Representative Verla Insko, Chair

AGENDA
Rules for Subcommittee Procedure
Money Reports
Special Provisions
~~**Block Grants**~~

ADJOURNMENT

Attachment III

VISITOR REGISTRATION SHEET

Health & Human Services — 6-8-06

Name of Committee — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Roz Savitt	WC Child Care Coalition
Jon Vidas	NCAATCP
Tony Stevens	NCPC
Anna Landers	NCPC/Families F
Lin Ann Cox	NC PTA
Jack P. Maynard	JP Maynard & Associates
Patrick Buffkin	Alley Assoc, Inc.
Lee Hedgpeth	NCCH
Dirk Corbin	NHA
	PARKS
Rebecca Troutman	NCACC
Patrice Roesler	NCACC
Evelyn Hawthorne	ETHGR

VISITOR REGISTRATION SHEET

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
James Logan	NCAHA
Robin Huffman	NC Psychiatric / Coalition 200
Debbie	Effie
Gill Hinton Reed	Autism Society of NC
Solveri	SMART START
Lisa Warnercke	DHHS
Audrey Clark	Audrey Clark & Associates
Tom Crumpler	CYC
Bob Kindsvatter	DHHS - DCD
Josh Shepard	DHHS
Christina Trotter	Carolina Legal Assistance
Bill Rowe	NC Justice Center
Lee Dew	DHHS - DPH

VISITOR REGISTRATION SHEET

Name of Committee | Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY
Dennis Hamilton	DHHS-DPH
Deborah Rowe	NCALHD/NCDHA
Ryan Pressley	Rep. Martin
Adrienne Cotton	NC Retail Merchants Assoc.
Jim Edmonds	DHHS
Mary Bethel	AARP-NC
Pam Barkness	OSBM
Daphne Lyon	OSBM
Bonnie Allred	DHHS
Mark Benton	DMA
Phillip [illegible]	DHHS/DOSAS
Mike Mosley	DHHS DOSAS
[illegible]	DHHS
Jim Slate	DHHS
Allen Dudley	DHHS
Chris Hudson	[illegible]
Selena Bernier	Child Fatality Task Force
Janice Freedman	NC Healthy Start Foundation
[illegible]	NCHCF
Andy Ellen	NCPMA
Elizabeth Dalton	NCPMA
Dana Simpson	Smith Anderson
Hugh Tilson	NCHA
Lee Hoke	KCCH
Bill Rogers	DCP
John Mott	Economic
Angie Harris	Maupin Taylor

VISITOR REGISTRATION SHEET

Name of Committee | Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY
[illegible]	[illegible]
Paula [illegible]	PPHS
Pat [illegible]	FRLTC/APPCAC
C Dowell [illegible]	[illegible]
Chris Fitzsimon	NC Policy Watch
[illegible] Schmidt	NC Justice Center
[illegible]	[illegible]
CAROLINE HOWE	LG's OFFICE
Kimberly [illegible]	LG's office

North Carolina House of Representatives
Appropriations Committee

RULES FOR SUBCOMMITTEE PROCEDURE

June 8, 2006

The following rules govern the eligibility of amendments to subcommittee reports:

1. Amendments must be offered by formal amendments.
2. Amendments cannot increase total spending within the draft subcommittee report presented by the subcommittee chairs.
3. Amendments can only affect appropriations within the departments, agencies, or programs within the jurisdiction of the subcommittee.
4. Amendments cannot spend reversions.
5. Nonrecurring reductions cannot be used to fund recurring items.
6. Amendments cannot change substantive policy or law.

House Appropriations Subcommittee on Health and Human Services

Money Report

June 8, 2006

Health and Human Services

GENERAL FUND

Total Budget Approved 2005 Session

FY 06-07
$4,264,940,128

Budget Changes

(1.0) Division of Medical Assistance

1 Revised Medicaid Forecast ($150,000,000) R

Reduces state appropriations for the Medicaid program based upon a revised forecast.

2 Ticket-To-Work Date Change ($150,000) R

Reduces funding for the Ticket-To-Work Program for FY 2006-07 because the implementation date has been changed to July 1, 2007.

3 CAP-MR/DD Slots $3,000,000 R

Provides full funding for up to 200 additional slots for the Community Alternatives Program for the Mentally Retarded/Developmentally Disabled.

4 Inflationary Increases $20,000,000 R

Provides funding for inflationary increases for Medicaid providers.

5 Cap County Share $18,000,000 R

Provides funding to cap all 100 counties' portion of Medicaid service costs at the amount paid in FY 2005-06.

6 Reserve for Targeted County Relief

Provides $35 million in non-recurring funding to be allocated to all 100 counties based on the percentage of Medicaid eligible individuals in each county's population.

Funds for this item are located in the Statewide Reserves section of this report.

(3.0) Division of Public Health

7 Early Intervention $8,020,968 R

Provides funding to expand the capacity of the Early Intervention program for children ages birth to three in response to the increase in the number of children referred for services. 206.00

8 School Nurse Funding $3,250,000 R

Provides recurring funding to support 65 school nurse positions previously supported on a time-limited basis by federal block grants.

	FY 06-07	
9 Universal Vaccine Program Provides funding to expand coverage of the influenza vaccine to children ages two through five and the pertussis vaccine to adolescents aged 11 and 12.	$6,526,095	R
10 Health Disparities Initiative Provides funding for grants-in-aid awarded through the Community-Focused Eliminating Health Disparities Initiative.	$2,000,000	R
11 Dental Preventive Services Provides funding for dental preventive services to children at high risk for tooth decay. Funds support the fluoride mouth rinse program in public schools, community water fluoridation and laboratory testing, the provision of dental sealants and other needed dental care.	$648,938 1.00	R
12 Women's Health Services Provides funding for family planning services to uninsured women who are not eligible for Medicaid.	$200,000	NR
13 Healthy Start Foundation Provides a grant-in-aid to the Healthy Start Foundation.	$300,000	NR
14 Child Maltreatment Provides funding for one position and support costs to coordinate the implementation of NC Institute of Medicine recommendations for initiatives to prevent the occurrence of child maltreatment.	$90,000 1.00	R
15 Antiviral Purchase for Pandemic Flu Provides funding for the state match for federal funds to purchase and store 10,000 courses of influenza antiviral medication for the state's first responders.	$152,500	NR
16 Private Well Water Safety Program Provides funding for equipment and supplies required to test the anticipated additional private well water samples due to increased enforcement of well construction standards. Authorizes three positions to be supported through fee receipts.	$226,000 3.00	NR
(4.0) Division of Mental Health, Developmental Disabilities, and Substance Abuse Services		
17 ADATC Provides funding for personnel and operating support associated with the expansion of the acute units at the Walter B. Jones and R.J. Blackley Alcohol and Drug Abuse Treatment Centers.	$3,969,719 93.00	R
18 Developmental Therapies for DD Provides funding for a state-funded service to replace services lost due to changes in federal policy and cuts in federal support.	$25,035,119 $1,400,000	R NR

FY 06-07

19 Mental Health Services $7,000,000 R

Provides funding for mental health services to be distributed to the Local Management Entities (LMEs) such that each LME receives a percentage of the total allocation that is equal to that LME's percentage of the State's total population below the poverty level.

20 Substance Abuse Services $7,000,000 R

Provides funding for substance abuse services to be distributed to the LMEs such that each LME receives a percentage of the total allocation that is equal to that LME's percentage of the State's total population below the poverty level.

21 Housing Trust Fund - 400 Apartment Initiative

Provides $10,625,000 in non-recurring funding to the North Carolina Housing Trust Fund for a 400 independent- and supportive-living apartment initiative recommended by the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services. These funds are for the financing of the portion of the 400 apartments not able to be financed within the existing means of the North Carolina Housing Finance Agency. Operating assistance for the 400 apartments will be provided from the funds in the next item. The apartments shall be for individuals with disabilities and shall be affordable to those with incomes at the Supplemental Security Income (SSI) level.

The funds for this item are located in the Housing Finance Agency section of this report.

22 Supportive Services for HUD 811 Projects $635,000 R

Provides funding for on-going operations and start-up expenses to support 12 group home beds and 80 apartments financed through the United States Department of Housing and Urban Development. $330,000 NR

23 Mental Health Trust Fund

Provides $24,205,000 in funding for the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs to be used in accordance with G.S. 143-15.3D.

Of the $24,205,000, $9,205,000 will be spent in the following areas:

$1,205,000 to provide operating cost subsidy for 400 independent- and supportive living apartments for individuals with disabilities financed by the North Carolina Housing Finance Agency as described in item labeled "Housing Trust Fund - 400 Apartment Initiative". The apartments shall be affordable to those with incomes at the SSI level.

$2,000,000 to improve psychiatrist access for public consumers.

$1,500,000 for mental health services.

$1,500,000 for substance abuse services.

$3,000,000 for crisis services.

The funding for mental health services, substance abuse services, and crisis services (a total of $6,000,000) will be distributed to the LMEs such that each LME receives a percentage of the total allocation that is equal to that LME's percentage of the total population below the poverty

The funds for this item are located in the Statewide Reserves section of this report.

24 Start-Up Funding for Crisis Services $5,250,000 **NR**

Provides funding for start-up costs for crisis services to be used by LMEs to establish a continuum of regional crisis facilities and local crisis services for persons with mental illness, developmental disabilities, and substance abuse addictions.

25 State Service Dollars for Crisis Services $5,000,000 **R**

Provides funding for crisis services to be distributed to LMEs such that each LME receives a percentage of the total allocation that is equal to that LME's percentage of the State's total population below the poverty level. LMEs may use these funds to pay for mental health, developmental disabilities, or substance abuse crisis services provided to non-Medicaid eligible adults and children who are indigent and have no other third-party payment source.

FY 06-07

26 Consultants to Aid the Division and LMEs — $925,000 NR

Provides funding for consultants to aid the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services and the LMEs with planning for crisis services, strategic planning, developing performance indicators, standardization, and capacity-building.

27 Child and Family Teams — $523,638 R

Provides funding for LMEs to hire 18 Care Coordinators to work with Child and Family Teams.

(8.0) Division of Child Development

28 Child Care Subsidy — $15,096,395 R

Provides funding to maintain existing caseload and remove 1,752 children from the waiting list. Additional funding in the Temporary Assistance for Needy Families (TANF) Block Grant for child care subsidy will remove 4,054 children from the waiting list.

29 Smart Start — $10,000,000 R

Provides funding for local Smart Start initiatives, including subsidized child care. In addition, $3,000,000 in receipts from the NC Education Lottery Fund will replace a portion of the funding that local Smart Start partnerships provide to support the More at Four Program.

30 Improve Regulatory Oversight — $453,222 R; $12,291 NR; 10.00

Provides funding to create 10 positions in the Division of Child Development's Licensing Unit. Additional staff will reduce caseloads and allow for more frequent monitoring visits.

31 T.E.A.C.H. Program — $1,000,000 NR

Provides funding to the North Carolina T.E.A.C.H. Early Childhood® Project.

(9.0) Division of Education Services

32 Early Intervention Teachers for the Deaf and Hard of Hearing — $293,493 R; 8.00

Provides funding to create eight additional teaching positions in the Early Intervention Program for Children who are Deaf or Hard of Hearing Program.

33 Early Intervention Teachers for the Blind and Visually Impaired — $233,533 R; 6.00

Provides funding for five additional teaching positions and one Orientation and Mobility Specialist at the Governor Morehead School for the Blind's Preschool.

	FY 06-07	
34 Language Interpreters Provides funding to create one language interpreter position at the North Carolina School for the Deaf in Morganton, one language interpreter position at the Governor Morehead School in Raleigh, and two language interpreter positions in the Early Intervention Program for Deaf and Hard of Hearing.	$121,771 4.00	R
35 Dormitory Supervisors at North Carolina School for the Deaf in Morganton Provides funding to create two additional Residential Life Attendants for the North Carolina School for the Deaf in Morganton.	$39,730 2.00	R
36 Housekeeper at North Carolina School for the Deaf in Morganton Provides funding to create one additional housekeeping staff at the North Carolina School for the Deaf in Morganton's.	$20,358 1.00	R
37 Behavior Specialists for Eastern North Carolina School for the Deaf Provides funding for two additional Behavior Programming Technicians at the Eastern North Carolina School for the Deaf for the Positive Behavior Support Program.	$45,663 2.00	R
38 Telemedicine for Children in Residential Schools Provides funding to implement telemedicine programs at the Western North Carolina School for the Deaf in Morganton and the Governor Morehead School for the Blind in Raleigh.	$24,000 $50,000	R NR
39 Beginnings for Parents of Children Who Are Deaf or Hard of Hearing, Inc. Provides funding for family support services.	$168,235	NR

(10.0) Division of Social Services

40 Foster Care and Adoption Assistance Payments Provides funding to support the increased cost of the Foster Care and Adoption Assistance Programs.	$10,206,898	R
41 Federal Budget Impact on Foster Care Services Provides funding to support the projected cost of additional foster care maintenance payments to be made to people caring for their relatives' children who choose to become licensed.	$2,040,755	R
42 Paternity Testing for Child Support Enforcement Provides funding to support the loss of federal funds for paternity testing expenses.	$151,500	R
43 Facilitators for Child and Family Teams Provides funding for 21 positions to facilitate Child and Family Team meetings in county DSSs that will support the statewide implementation of the Multiple Response System.	$720,804	R

44 Food Banks

Provides funding to be equally distributed to the regional network of food banks in North Carolina.

$1,000,000 NR

45 State/County Special Assistance Rate Adjustment

Provides funding for an increase in the State/County Special Assistance monthly rate from $1,118 per month to $1,132 per month effective October 1,2006.

$3,500,000 R

(11.0) Division of Aging and Adult Services

46 Home and Community Care Block Grant

Provides funding for the Home and Community Care Block Grant Program.

$4,205,879 R

47 LTC Ombudsman Positions

Provides funding for ten long term care ombudsman positions including benefits and travel.

$492,136 R

10.00

48 Adult Day Care Rates

Provides funding to increase the daily rates for adult day care and adult day health programs by $5.00. $556,556 will be allocated to the State Adult Day Care Fund and $487,194 shall be allocated to the Home and Community Care Block Grant Program.

$1,043,750 R

(12.0) Office of the Secretary

49 Budget Receipts from NC Education Lottery for More at Four

Reduces state appropriations for the More At Four program by budgeting $66,646,653 in receipts from the NC Education Lottery Fund to support the More at Four program in accordance with statute.

($66,646,653) R

50 More at Four Expansion

Budgets an additional $14,989,056 from lottery proceeds to support the following program expansion: creation of 2,800 additional program slots, increased funding of $200 per slot for all 18,253 slots, and establishment of three new staff positions, an Educational Development & Planning Consultant II, an Educational Consultant II, and an Education Processing Assistant who will perform monitoring and technical assistance functions.

51 Replace Portion of Smart Start Funds Supporting More at Four

Budgets $3,000,000 in receipts from the NC Education Lottery Fund to replace a portion of the funding that local Smart Start partnerships provide to support the More at Four Program.

52 Utility and Fuel Cost Reserve

Provides funding to support the increased cost of utility services and fuel for state institutions operated by the Department of Health and Human Services.

$1,000,000 NR

53 MMIS Implementation

Transfers funding from the G.S 143-23.2 reserve to continue to fund the state share of implementing the new Medicaid Management System (MMIS).

Total Requirements	$5,004,504
Transfer From Medicaid Reserve Fund	($5,004,504)
State Appropriation	0

54 Psychiatrist Access — $3,000,000 R

Provides funding to improve psychiatrist access for public consumers.

55 Strategic LME Team — $300,000 R

Provides funding to be used for three positions to create a Local Management Entity (LME) Strategic Assistance Team. The Team shall assist LMEs develop, implement, and maintaining their statutory responsibilities. — 3.00

56 Community Health Center Grants — $3,000,000 NR

Provides additional funding for grants-in-aid awarded through the Community Health Center Grant Program.

57 Rural Hospital Operations and Maintenance — $3,000,000 NR

Provides funding for small rural hospitals in need of assistance with operations and infrastructure maintenance.

Budget Changes	**($54,107,289)**	R
	$18,014,026	NR
Total Position Changes	350.00	
Revised Total Budget	**$4,228,846,865**	

Senate Money Report

Department of Health And Human Services

Senate Subcommittee on Human Resources

not marked item is Senate only item.

Health and Human Services

GENERAL FUND

Total Budget Approved 2005 Session

FY 06-07
$4,264,940,128

Budget Changes

(1.0) Division of Medical Assistance

G

1 Revised Medicaid Forecast ($150,000,000) R
Reduces state appropriations for the Medicaid program based upon a revised forecast.

2 Ticket-To-Work Date Change ($150,000) R
Reduces funding for the Ticket-To-Work Program for FY 2006-07 because the implementation date has been changed to July 1, 2007.

G - modified

3 Health Care Access Study $200,000 NR
Provides funding to support the development of a plan to expand health care access for uninsured North Carolinians through the use of public/private partnerships, federal flexibility and resources, and promotion of charity care by health care providers.

G - modified

4 Provider Rate Study $100,000 NR
Provides funding to contract with independent consultants and financial experts to assist the Division in developing a proposal for an equitable standard to provide inflationary increases and other cost related increases to service providers in the Medicaid program.

(3.0) Division of Public Health

5 Eye Exams ($2,000,000) R
Eliminates funding for the Governor's Vision Care Program.

G - modified

6 Early Intervention $7,103,147 R
Provides funding to expand the capacity of the Early Intervention program for children ages birth to three in response to the increase in the number of children referred for services. 197.00

G - modified

7 School Nurse Funding $4,500,000 R
Provides recurring funding to support 65 school nurse positions previously supported on a time-limited basis by federal block grants. Also, provides funds to support an additional 25 new school nurse positions.

90 Positions

G

8 Universal Vaccine Program $6,526,095 R
Provides funding to expand coverage of the influenza and pertussis vaccines to all children ages two through five.

G-modified	**9 Health Disparities Initiative** Provides non-recurring funding for grants-in-aid awarded through the Community-Focused Eliminating Health Disparities Initiative (CFEHDI). Also, provides recurring funds to support one position to manage the program.	$100,000 $1,900,000 1.00	R NR
G-modified	**10 Dental Preventive Services** Provides funding for the fluoride mouth rinse program (FMR) targeted at schools with a high proportion of low income children who are high-risk for tooth decay.	$390,000	NR
	11 Prevention of Pre-term Births Provides funding to provide education to women on the benefits of progesterone for those who have had preterm births and to purchase medication for eligible minority and low-income women.	$150,000	NR
G	**12 Antiviral Purchase for Pandemic Flu** Provides funding for the state match for federal funds to purchase and store 10,000 courses of influenza antiviral medication for the state's first responders.	$190,000	NR
G-modified	**13 Private Well Water Safety Program** Provides funding for equipment and supplies required to test the anticipated additional private well water samples due to increased enforcement of well construction standards. Authorizes three positions to be supported through fee receipts.	$226,000 3.00	NR

Rotate stock? Store in local pharmacy to have in place for First Responders.

(4.0) Division of Mental Health, Developmental Disabilities, and Substance Abuse Services

G	**14 ADATC** Provides funding for personnel and operating support associated with the expansion of acute units at each of the State's three alcohol drug abuse treatment centers (ADATC).	$5,191,815 159.00	R
LOC/G	**15 Developmental Therapies for DD** Provides funding for a state-funded service to replace services lost due to changes in federal policy and cuts in federal support.	$29,435,119	R
LOC-modified	**16 Mental Health Services** Provides funding for mental health services to be distributed to the Lead Management Entities (LMEs) such that each LME receives a percentage of the total allocation that is equal to that LME's percentage of the State's total population below the poverty level.	$8,000,000	R
LOC-modified	**17 Substance Abuse Services** Provides funding for substance abuse services to be distributed to the LMEs such that each LME receives a percentage of the total allocation that is equal to that LME's percentage of the State's total population below the poverty level.	$8,000,000	R

18 Housing Trust Fund - 400 Apartment Housing Initiative

Provides $11,250,000 in non-recurring funding to the North Carolina Housing Trust Fund for a 400 independent- and supportive-living apartment initiative recommended by the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services. These funds are for the financing of the portion of the 400 apartments not able to be financed within the existing means of the North Carolina Housing Finance Agency. Operating assistance for the 400 apartments will be provided from the funds in the next item. The apartments shall be for individuals with disabilities and shall be affordable to those with incomes at the Supplemental Security Income (SSI) level.

The funds for this item are located in the Housing Finance Agency section of this report.

19 Operating Cost Subsidy - 400 Apartment Initiative $1,205,000 R

Provides recurring operating cost subsidy for 400 independent- and supportive-living apartments for individuals with disabilities financed by the North Carolina Housing Finance Agency as described in the previous item. The apartments shall be affordable to those with incomes at the Supplemental Security Income (SSI) level.

20 Supportive Services for HUD 811 Projects $713,000 R
$370,000 NR

Provides funding for on-going operations and start-up expenses to support 12 group home beds and 93 apartments financed through the United States Department of Housing and Urban Development.

21 Mental Health Trust Fund

Provides $5,000,000 non-recurring for the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs to be used in accordance with G.S. 143-15.3D. In addition to this direct appropriation from the General Fund, a portion of the excise tax on alcohol will be redirected from the General Fund to the Trust Fund on a permanent basis. A total of $9.39 million is anticipated to be deposited in the Trust Fund from the alcohol excise tax for the 2006-07 fiscal year.

The funds for this item are located in the Statewide Reserves section of this report.

22 Funding to The North Carolina AHEC Program for Psychiatrist Recruitment

Provides $1,000,000 to the North Carolina Area Health Education Centers Program to recruit psychiatrists to rural and underserved areas to provide community services. The program may include student loan repayment.

The funds for this item are located in the UNC System section of this report.

23 Start-Up Funding for Crisis Services $5,250,000 NR

LOC-modified

Provides funding for start-up costs for crisis services to be used by LMEs to establish a continuum of regional crisis facilities and local crisis services for persons with mental illness, developmental disabilities, and substance abuse addictions.

24 State Service Dollars for Crisis Services $9,000,000 R

LOC

Provides funding for crisis services to be allocated to LMEs on a per capita basis. LMEs may use these funds to pay for mental health, developmental disabilities, or substance abuse crisis services provided to non-Medicaid eligible adults and children who are indigent and have no other third-party payment source.

25 Per Capita Funding for Psychiatrist Access $9,000,000 R

LOC

Provides funding to be allocated to the LMEs on a per capita basis to ensure access to core psychiatrist services.

26 Consultants to Aid the Division and LMEs $1,125,000 NR

LOC-modified

Provides funding for consultants to aid the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services and the LMEs with planning for crisis services, strategic planning, developing performance indicators, standardization, and capacity-building.

27 Strategic LME Team $300,000 R

LOC

Provides funding to be used for three positions to create a Local Management Entity (LME) Strategic Assistance Team. The Team shall assist LMEs develop, implement, and maintaining their statutory responsibilities. 3.00

(7.0) Divisions of Services for the Blind and Services for the Deaf and Hard of Hearing

28 Accessible Electronic Information for Blind and Disabled Persons $75,000 NR

Provides funding to continue accessible electronic information services for blind and disabled persons.

(8.0) Division of Child Development

29 Child Care Subsidy $20,000,000 R

G-modified

Provides funding to maintain existing caseload, implement 25% of the 2005 market rates for 3 to 5 star facilities, and remove children from the waiting list. (1710)

30 Smart Start $14,000,000 R

G-modified

Provides funding for local Smart Start initiatives, including subsidized child care.

Gov 10 M Senate +4 M → 14 M

31 Improve Regulatory Oversight $453,222 R $12,291 NR

G

Provides funding to create 10 positions in the Division of Child Development's Licensing Unit. Additional staff will reduce caseloads and allow for more frequent monitoring visits. 10.00

32 T.E.A.C.H. Program — $1,000,000 NR

Provides funding to the North Carolina T.E.A.C.H. Early Childhood® Project. Prevents cuts.

(9.0) Division of Education Services

33 Early Intervention Teachers for the Deaf and Hard of Hearing — $293,493 R

G Provides funding to create eight additional teaching positions in the Early Intervention Program for Children who are Deaf or Hard of Hearing Program. 8.00

34 Early Intervention Teachers for the Blind and Visually Impaired — $233,533 R

G Provides funding for five additional teaching positions and one Orientation and Mobility Specialist at the Governor Morehead School for the Blind's Preschool. 6.00

35 Language Interpreters — $121,771 R

G Provides funding to create one language interpreter position at the North Carolina School for the Deaf in Morganton, one language interpreter position at the Governor Morehead School in Raleigh, and two language interpreter positions in the Early Intervention Program for Deaf and Hard of Hearing. 4.00

36 Dormitory Supervisors at North Carolina School for the Deaf in Morganton — $39,730 R

G Provides funding to create two additional Residential Life Attendants for the North Carolina School for the Deaf in Morganton. 2.00

37 Housekeeper at North Carolina School for the Deaf in Morganton — $20,358 R

G Provides funding to create one additional housekeeping staff at the North Carolina School for the Deaf in Morganton's. 1.00

38 Behavior Specialists for Eastern North Carolina School for the Deaf — $45,663 R

G Provides funding for two additional Behavior Programming Technicians at the Eastern North Carolina School for the Deaf for the Positive Behavior Support Program. 2.00

39 Telemedicine for Children in Residential Schools — $24,000 R; $50,000 NR

G Provides funding to implement telemedicine programs at the Western North Carolina School for the Deaf in Morganton and the Governor Morehead School for the Blind in Raleigh.

(10.0) Division of Social Services

40 Foster Care and Adoption Assistance Payments — $10,206,898 R

G Provides funding to support the increased cost of the Foster Care and Adoption Assistance Programs.

41 Federal Budget Impact on Foster Care Services — $2,040,755 R

G Provides funding to support the projected cost of additional foster care maintenance payments to be made to people caring for their relatives' children who choose to become licensed.

G

42 Paternity Testing for Child Support Enforcement — $151,500 R

Provides funding to support the loss of federal funds for paternity testing expenses.

43 Food Banks — $400,000 NR

Provides funding to be equally distributed to the regional network of food banks in North Carolina.

(11.0) Division of Aging and Adult Services

G

44 Home and Community Care Block Grant — $3,000,000 R

Provides funding for the Home and Community Care Block Grant Program.

(12.0) Office of the Secretary

G

45 Transfer More At Four Program to DPI — ($66,646,653) R

Transfers funding for the More At Four program to the Department of Public Instruction.

G

46 Utility and Fuel Cost Reserve — $1,271,533 NR

Provides funding to support the increased cost of utility services and fuel for state institutions operated by the Department of Health and Human Services.

G

47 MMIS Implementation

Transfers funding from the G.S 1423-23.2 reserve to continue to fund the state share of implementing the new Medicaid Management System (MMIS).

Total Requirements	$5,004,504
Transfer From Medicaid Reserve Fund	($5,004,504)
State Appropriation	0

G-modified

48 Public Awareness of Safe Surrender of Infants Campaign — $100,000 NR

Provides funding to inform the public of the Safe Surrender Act (S.L.2001-291).

Budget Changes	**($79,091,554)**	R
	$12,809,824	NR
Total Position Changes	396.00	
Revised Total Budget	**$4,198,658,398**	

Attachment VI

House Appropriations Subcommittee on Health and Human Services

Special Provisions

June 8, 2006

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2006

DRAFT
SPECIAL PROVISION

2006-DHHS-H3(S10.2)i

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

RATE SETTING FOR CHILD CARING INSTITUTIONS

SECTION 10.2.(a) Section 10.47(b) of S.L. 2005-276 is repealed.

SECTION 10.2.(b) G.S. 110-93.1 is repealed.

SECTION 10.2.(c) G.S. 143B-153(2)d. reads as rewritten:

"**§ 143B-153. Social Services Commission – creation, powers and duties.**

There is hereby created the Social Services Commission of the Department of Health and Human Services with the power and duty to adopt rules and regulations to be followed in the conduct of the State's social service programs with the power and duty to adopt, amend, and rescind rules and regulations under and not inconsistent with the laws of the State necessary to carry out the provisions and purposes of this Article. Provided, however, the Department of Health and Human Services shall have the power and duty to adopt rules and regulations to be followed in the conduct of the State's medical assistance program.

...

(2) The Social Services Commission shall have the power and duty to establish standards and adopt rules and regulations:

...

d. For the payment of State funds to private child-placing agencies as defined in G.S. 131D-10.2(4) and residential child care facilities as defined in G.S. 131D-10.2(13) for care and services provided to children who are in the custody or placement responsibility of a county department of social ~~services; and~~services. The Commission shall establish standardized rates for child caring institutions in this State, which rates shall be updated annually on July 1. Rate-setting recommendations provided by the Office of the State Auditor shall be incorporated into the Department of Social Services' rate-setting methodology; and

...

...."

SECTION 10.2.(d) The effective date for establishing standardized rates for child caring institutions in this State, as enacted in subsection (c) of this section, shall be July 1, 2007.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2006

DRAFT
SPECIAL PROVISION

2006-DHHS-H4(S10.3)

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

MEDICAID

SECTION 10.3.(a) Section 10.11 of S.L. 2005-276 is repealed.

SECTION 10.3.(b) Use of Funds, Allocation of Costs, Other Authorizations.

(1) Use of Funds. – Funds appropriated in this act for services provided in accordance with Title XIX of the Social Security Act (Medicaid) are for both the categorically needy and the medically needy.

(2) Allocation of Nonfederal Cost of Medicaid. – The allocation of nonfederal cost of Medicaid shall be as provided in this act.

(3) Funds for Development and Acquisition of Equipment and Software. – If first approved by the Office of State Budget and Management, the Division of Medical Assistance, Department of Health and Human Services, may use funds that are identified to support the cost of development and acquisition of equipment and software through contractual means to improve and enhance information systems that provide management information and claims processing. The Department of Health and Human Services shall identify adequate funds to support the implementation and first year's operational costs that exceed the currently allocated funds for the new contract for the fiscal agent for the Medicaid Management Information System.

(4) Reports. – Unless otherwise provided, whenever the Department of Health and Human Services is required by this section to report to the General Assembly, the report shall be submitted to the House of Representatives Appropriations Subcommittee for Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division of the Legislative Services Office. Reports shall be submitted on the date provided in the reporting requirement.

SECTION 10.11.(b) Policy. –

(1) Volume purchase plans and single source procurement. – The Department of Health and Human Services, Division of Medical Assistance, may, subject to the approval of a change in the State Medicaid Plan, contract for services, medical equipment, supplies, and appliances by implementation of volume purchase plans, single source procurement, or other contracting processes in order to improve cost containment.

(2) Cost-containment programs. – The Department of Health and Human Services, Division of Medical Assistance, may undertake cost-containment programs, including contracting for services, preadmissions to hospitals, and prior approval for certain outpatient surgeries before they may be performed in an inpatient setting.

(3) Fraud and abuse. –

a. The Division of Medical Assistance, Department of Health and Human Services, may provide incentives to counties that successfully recover fraudulently spent Medicaid funds by sharing State savings with counties responsible for the recovery of the fraudulently spent funds.

b. For the purposes of investigating and reducing client fraud and abuse, the Department of Health and Human Services, Division of Medical Assistance, shall, unless prohibited by federal law, include in the Medicaid enrollment process the requirement that the applicant for Medicaid consent to or authorize in writing the release of the applicant's medical records for the three years immediately preceding the application for Medicaid benefits. The Department shall obtain and use information from the applicant's medical records in a manner and form that complies with the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), P.L. 104-191, as amended, and that protects the privacy of the information as required by other applicable federal or State law. In addition to fraud and abuse detection, the Department may require the applicant's consent for other purposes permitted by HIPAA and required or authorized by other applicable federal or State law.

(4) Medical policy. –

Unless required for compliance with federal law, the Department shall not change medical policy affecting the amount, sufficiency, duration, and scope of health care services and who may provide services until the Division of Medical Assistance has prepared a five-year fiscal analysis documenting the increased cost of the proposed change in medical policy and submitted it for Departmental review. If the fiscal impact indicated by the fiscal analysis for any proposed medical policy change exceeds three million dollars ($3,000,000) in total requirements for a given fiscal year, then the Department shall submit the proposed policy change with the fiscal analysis to the Office of State Budget and Management and the Fiscal Research Division. The Department shall not implement any proposed medical policy change exceeding three million dollars ($3,000,000) in total requirements for a given fiscal year unless the source of State funding is identified and approved by the Office of State Budget and Management. The Department shall provide the Office of State Budget and Management and the Fiscal Research Division a quarterly report itemizing all

medical policy changes with total requirements of less than three million dollars ($3,000,000).

SECTION 10.11.(c) Eligibility. – Eligibility for Medicaid shall be determined in accordance with the following:

(1) Medicaid and Work First Family Assistance, Income Eligibility Standards. – The maximum net family annual income eligibility standards for Medicaid and Work First Family Assistance and the Standard of Need for Work First Family Assistance shall be as follows:

Categorically Needy-WFFA*		Medically Needy Families and Children	
Family Size	Standard Of Need	Income Level	AA,AB,AD*
1	$4,344	$2,172	$2,900
2	5,664	2,832	3,900
3	6,528	3,264	4,400
4	7,128	3,564	4,800
5	7,776	3,888	5,200
6	8,376	4,188	5,600
7	8,952	4,476	6,000
8	9,256	4,680	6,300

*Work First Family Assistance (WFFA); Aid to the Aged (AA); Aid to the Blind (AB); and Aid to the Disabled (AD).

The payment level for Work First Family Assistance shall be fifty percent (50%) of the standard of need.

These standards may be changed with the approval of the Director of the Budget with the advice of the Advisory Budget Commission.

(2) The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to all elderly, blind, and disabled people who have incomes equal to or less than one hundred percent (100%) of the federal poverty guidelines, as revised each April 1.

(3) The Department of Health and Human Services shall provide Medicaid to 19 and 20-year-olds in accordance with federal rules and regulations.

(4) Pregnant women and children. – The Department of Health and Human Services shall provide coverage to pregnant women and to children according to the following schedule:

a. Pregnant women with incomes equal to or less than one hundred eighty-five percent (185%) of the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits.

b. Effective January 1, 2006, infants under the age of one with family incomes equal to or less than two hundred percent

(200%) of the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits.

c. Effective January 1, 2006, children aged one through five with family incomes equal to or less than two hundred percent (200%) of the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits.

d. Children aged six through 18 with family incomes equal to or less than the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits.

e. The Department of Health and Human Services shall provide Medicaid coverage for adoptive children with special or rehabilitative needs regardless of the adoptive family's income.

Services to pregnant women eligible under this subsection continue throughout the pregnancy but include only those related to pregnancy and to those other conditions determined by the Department as conditions that may complicate pregnancy. In order to reduce county administrative costs and to expedite the provision of medical services to pregnant women, to infants, and to children described in subparagraphs c. and d. of this subdivision, no resources test shall be applied.

(5) The Department of Health and Human Services shall provide Medicaid coverage for family planning services to men and women of childbearing age with family incomes equal to or less than one hundred eight-five percent (185%) of the federal poverty level.

(6) ICF and ICF/MR Work Incentive Allowances. – The Department of Health and Human Services may provide an incentive allowance to Medicaid-eligible recipients of ICF and ICF/MR services, who are regularly engaged in work activities as part of their developmental plan, and for whom retention of additional income contributes to their achievement of independence. The State funds required to match the federal funds that are required by these allowances shall be provided from savings within the Medicaid budget or from other unbudgeted funds available to the Department. The incentive allowances may be as follows:

Monthly Net Wages	**Monthly Incentive Allowance**
\$1.00 to \$100.99	Up to \$50.00
\$101.00 to \$200.99	\$80.00
\$201.00 to \$300.99	\$130.00
\$301.00 and greater	\$212.00

(7) Medicaid enrollment of categorically needy families with children shall be continuous for one year without regard to changes in income or assets.

(8) For all Medicaid eligibility classifications for which the federal poverty level is used as an income limit for eligibility determination, the income limits will be updated each April 1 immediately following publication of federal poverty guidelines.

(9) When implementing the Supplemental Security Income (SSI) method for considering equity value of income producing property, the Department shall, to the maximum extent possible, employ procedures to mitigate the hardship to Medicaid enrollees occurring from application of the SSI method.

SECTION 10.11.(d) Services and Payment Bases. – Funds appropriated for Medicaid services shall be expended in accordance with the following schedule of services and payment bases. All services and payments are subject to the language at the end of this subsection. Unless otherwise provided, services and payment bases will be as prescribed in the State Plan as established by the Department of Health and Human Services and may be changed with the approval of the Director of the Budget.

(1) Hospital inpatient.

(2) Hospital outpatient. – Eighty percent (80%) of allowable costs or a prospective reimbursement plan as established by the Department of Health and Human Services.

(3) Nursing facilities. – Nursing facilities providing services to Medicaid recipients who also qualify for Medicare must be enrolled in the Medicare program as a condition of participation in the Medicaid program. State facilities are not subject to the requirement to enroll in the Medicare program. Residents of nursing facilities who are eligible for Medicare coverage of nursing facility services must be placed in a Medicare-certified bed. Medicaid shall cover facility services only after the appropriate services have been billed to Medicare. The Division of Medical Assistance shall allow nursing facility providers sufficient time from the effective date of this act to certify additional Medicare beds if necessary. In determining the date that the requirements of this subdivision become effective, the Division of Medical Assistance shall consider the regulations governing certification of Medicare beds and the length of time required for this process to be completed.

(4) Physicians, certified nurse midwife services, nurse practitioners. – Fee schedules as development by the Department of Health and Human Services.

(5) Community Alternative Program, EPSDT Screens. – Payments in accordance with rate schedule developed by the Department of Health and Human Services.

(6) Home health and related services, durable medical equipment. – Payments according to reimbursement plans developed by the Department of Health and Human Services.

(7) Hearing aids. – Wholesale cost plus dispensing fee to provider.

(8) Rural health clinical services. – Provider-based, reasonable cost; non-provider-based, single–cost reimbursement rate per clinic visit.

(9) Family planning. – Negotiated rate for local health departments. For other providers see specific services, e.g. hospitals, physicians.

(10) Independent laboratory and X-ray services. – Uniform fee schedules as developed by the Department of Health and Human Services.

(11) Ambulatory surgical centers.
(12) Private duty nursing, clinic services, prepaid health plans.
(13) Intermediate care facilities for the mentally retarded.
(14) Chiropractors, podiatrists, optometrists, dentists.
(15) Limitations on Dental Coverage. – Dental services shall be provided on a restricted basis in accordance with criteria adopted by the Department to implement this subsection.
(16) Medicare Buy-In. – Social Security Administration premium.
(17) Ambulance services. – Uniform fee schedules as developed by the Department of Health and Human Services. Public ambulance providers will be reimbursed at cost.
(18) Optical supplies. – Payment for materials is made to a contractor in accordance with 42 C.F.R. § 431.54(d). Fees paid to dispensing providers are negotiated fees established by the State agency based on industry charges.
(19) Medicare crossover claims. – The Department shall apply Medicaid medical policy to Medicare claims for dually eligible recipients. The Department shall pay an amount up to the actual coinsurance or deductible or both, in accordance with the State Plan, as approved by the Department of Health and Human Services.
(20) Physical therapy and speech therapy. – Services limited to EPSDT-eligible children. Payments are to be made only to qualified providers at rates negotiated by the Department of Health and Human Services. Physical therapy (including occupational therapy) and speech therapy services are subject to prior approval and utilization review.
(21) Personal care services.
(22) Case management services. – Reimbursement in accordance with the availability of funds to be transferred within the Department of Health and Human Services.
(23) Hospice.
(24) Medically necessary prosthetics or orthotics. – In order to be eligible for reimbursement, providers must be Board certified. Medically necessary prosthetics and orthotics are subject to prior approval and utilization review.
(25) Health insurance premiums.
(26) Medical care/other remedial care. – Services not covered elsewhere in this section include related services in schools; health professional services provided outside the clinic setting to meet maternal and infant health goals; and services to meet federal EPSDT mandates.
(27) Pregnancy-related services. – Covered services for pregnant women shall include nutritional counseling, psychosocial counseling, and predelivery and postpartum home visits by maternity care coordinators and public health nurses.
(28) Drugs. – Reimbursements. Reimbursements shall be available for prescription drugs as allowed by federal regulations plus a professional services fee per month, excluding refills for the same drug or generic

equivalent during the same month. Payments for drugs are subject to the provisions of this subdivision or in accordance with the State Plan adopted by the Department of Health and Human Services, consistent with federal reimbursement regulations. Payment of the professional services fee shall be made in accordance with the State Plan adopted by the Department of Health and Human Services, consistent with federal reimbursement regulations. The professional services fee shall be five dollars and sixty cents ($5.60) per prescription for generic drugs and four dollars ($4.00) per prescription for brand-name drugs. Adjustments to the professional services fee shall be established by the General Assembly. In addition to the professional services fee, the Department may pay an enhanced fee for pharmacy services.

Limitations on quantity. – The Department of Health and Human Services may establish authorizations, limitations, and reviews for specific drugs, drug classes, brands, or quantities in order to manage effectively the Medicaid pharmacy program, except that the Department shall not impose limitations on brand-name medications for which there is a generic equivalent in cases where the prescriber has determined, at the time the drug is prescribed, that the brand-name drug is medically necessary and has written on the prescription order the phrase "medically necessary". In addition to the entities listed in subsection (a) of this section, the Department shall report to the Joint Legislative Commission on Governmental Operations on authorizations, limitations, and reviews established under this subparagraph, including limitations on monthly brand-name and generic prescriptions as well as restrictions on the total number of medications. The Department shall submit the report not later than May 1, 2006.

Dispensing of generic drugs. – Notwithstanding G.S. 90-85.27 through G.S. 90-85.31, or any other law to the contrary, under the Medical Assistance Program (Title XIX of the Social Security Act), and except as otherwise provided in this subsection for atypical antipsychotic drugs and drugs listed in the narrow therapeutic index, a prescription order for a drug designated by a trade or brand name shall be considered to be an order for the drug by its established or generic name, except when the prescriber has determined, at the time the drug is prescribed, that the brand-name drug is medically necessary and has written on the prescription order the phrase "medically necessary". An initial prescription order for an atypical antipsychotic drug or a drug listed in the narrow therapeutic drug index that does not contain the phrase "medically necessary" shall be considered an order for the drug by its established or generic name, except that a pharmacy shall not substitute a generic or established name prescription drug for subsequent brand or trade name prescription orders of the same prescription drug without explicit oral or written approval of the prescriber given at the time the order is filled. Generic drugs shall be

dispensed at a lower cost to the Medical Assistance Program rather than trade or brand-name drugs. As used in this subsection, "brand name" means the proprietary name the manufacturer places upon a drug product or on its container, label, or wrapping at the time of packaging; and "established name" has the same meaning as in section 502(e)(3) of the Federal Food, Drug, and Cosmetic Act as amended, 21 U.S.C. § 352(e)(3).

Prior authorization. – The Department of Health and Human Services shall not impose prior authorization requirements or other restrictions under the State Medical Assistance Program on medications prescribed for Medicaid recipients for the treatment of: (i) mental illness, including, but not limited to, medications for schizophrenia, bipolar disorder, and major depressive disorder, or (ii) HIV/AIDS.

(29) Other mental health services. – Unless otherwise covered by this section, coverage is limited to:

a. Services as defined by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services and approved by the Centers for Medicare and Medicaid Services (CMS) when provided in agencies meeting the requirements of the rules established by the Commission for Mental Health, Developmental Disabilities, and Substance Abuse Services and reimbursement is made in accordance with a State Plan developed by the Department of Health and Human Services not to exceed the upper limits established in federal regulations, and

b. For children eligible for EPSDT services provided by:

1. Licensed or certified psychologists, licensed clinical social workers, certified clinical nurse specialists in psychiatric mental health advanced practice, nurse practitioners certified as clinical nurse specialists in psychiatric mental health advanced practice, licensed psychological associates, licensed professional counselors, licensed marriage and family therapists, certified clinical addictions specialists, and certified clinical supervisors, when Medicaid-eligible children are referred by the Community Care of North Carolina primary care physician, a Medicaid-enrolled psychiatrist, or the area mental health program or local management entity, and

2. Institutional providers of residential services as defined by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services and approved by the Centers for Medicare and Medicaid Services (CMS) for children and Psychiatric Residential

Treatment Facility services that meet federal and State requirements as defined by the Department.

c. For Medicaid-eligible adults, services provided by licensed or certified psychologists, licensed clinical social workers, certified clinical nurse specialists in psychiatric mental health advanced practice, and nurse practitioners certified as clinical nurse specialists in psychiatric mental health advanced practice, licensed psychological associates, licensed professional counselors, licensed marriage and family therapists, licensed clinical addictions specialists, and licensed clinical supervisors, Medicaid-eligible adults may be self-referred.

d. Payments made for services rendered in accordance with this subdivision shall be to qualified providers in accordance with approved policies and the State Plan. Nothing in sub-subdivision b. or c. of this subdivision shall be interpreted to modify the scope of practice of any service provider, practitioner, or licensee, nor to modify or attenuate any collaboration or supervision requirement related to the professional activities of any service provider, practitioner, or licensee. Nothing in sub-subdivision b. or c. of this subdivision shall be interpreted to require any private health insurer or health plan to make direct third-party reimbursements or payments to any service provider, practitioner, or licensee.

e. The Department of Health and Human Services shall not enroll licensed psychological associates, licensed professional counselors, licensed marriage and family therapists, licensed clinical addiction specialists, and licensed clinical supervisors until all of the following conditions have been met:

1. The fiscal impact of payments to these qualified providers has been projected;
2. Funding for any projected requirements in excess of budgeted Division of Medical Assistance funding has been identified from within State funds appropriated to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to support area mental health programs or county programs, or identified from other sources; and
3. Approval has been obtained from the Office of State Budget and Management to transfer these State or other source funds from the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to the Division of Medical Assistance. Upon approval and implementation, the Department of Health and Human Services shall, on a quarterly basis, provide a

status report to the Office of State Budget and Management and the Fiscal Research Division.

Notwithstanding G.S. 150B-21.1(a), the Department of Health and Human Services may adopt temporary rules in accordance with Chapter 150B of the General Statutes further defining the qualifications of providers and referral procedures in order to implement this subdivision. Coverage policy for services defined by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services under sub-subdivisions a. and b.2 of this subdivision shall be established by the Division of Medical Assistance.

SECTION 10.11.(e) Limitations on payments. –

(1) Payment is limited to Medicaid-enrolled providers that purchase a performance bond in an amount not to exceed one hundred thousand dollars ($100,000) naming as beneficiary the Department of Health and Human Services, Division of Medical Assistance, or provide to the Department a validly executed letter of credit or other financial instrument issued by a financial institution or agency honoring a demand for payment in an equivalent amount. The Department may waive or limit the requirements of this paragraph for one or more classes of Medicaid-enrolled providers based on the provider's dollar amount of monthly billings to Medicaid or the length of time the provider has been licensed in this State to provide services. In waiving or limiting requirements of this paragraph, the Department shall take into consideration the potential fiscal impact of the waiver or limitation on the State Medicaid Program. The Department may adopt temporary rules in accordance with G.S. 150B-21.1 as necessary to implement this provision.

(2) Reimbursement is available for up to 24 visits per recipient per year to any one or combination of the following: physicians, clinics, hospital outpatient, optometrists, chiropractors, and podiatrists. Prenatal services, all EPSDT children, emergency rooms, and mental health services subject to independent utilization review are exempt from the visit limitations contained in this paragraph. Exceptions may be authorized by the Department of Health and Human Services where the life of the patient would be threatened without such additional care.

SECTION 10.11.(f) Exceptions and limitations on services; authorization of co-payments and other services.

(1) Exceptions to Service Limitations, Eligibility Requirements, and Payments. – Service limitations, eligibility requirements, and payments bases in this section may be waived by the Department of Health and Human Services, with the approval of the Director of the Budget, to allow the Department to carry out pilot programs for prepaid health plans, contracting for services, managed care plans, or community-based services programs in accordance with plans approved by the United States Department of Health and Human Services or when the Department determines that such a waiver will

result in a reduction in the total Medicaid costs for the recipient. The Department of Health and Human Services may proceed with planning and development work on the Program of All-Inclusive Care for the Elderly.

(2) Co-Payment for Medicaid Services. – The Department of Health and Human Services may establish co-payments up to the maximum permitted by federal law and regulation and required by this subsection in order to achieve reductions in the budget in fiscal years 2005-2006 and 2006-2007.

(3) The Department of Health and Human Services shall provide Medicaid coverage for family planning services to men and women of childbearing age with family incomes equal to or less than one hundred eighty-five percent (185%) of the federal poverty level. Of the funds appropriated in this act to the Division of Medical Assistance, the sum of seven hundred fifty thousand dollars ($750,000) for the 2005-2006 fiscal year shall be used to provide the State-match for the family planning demonstration waiver approved by the federal government.

SECTION 10.11.(g) Rules, Reports, and Other Matters. –

(1) Rules. – The Department of Health and Human Services may adopt temporary or emergency rules according to the procedures established in G.S. 150B-21.1 and G.S. 150B-21.1A when it finds that these rules are necessary to maximize receipt of federal funds within existing State appropriations, to reduce Medicaid expenditures, and to reduce fraud and abuse. Prior to the filing of these temporary or emergency rules with the Rules Review Commission and the Office of Administrative Hearings, the Department shall consult with the Office of State Budget and Management on the possible fiscal impact of the temporary or emergency rule and its effect on State appropriations and local governments.

(2) Changes to Medicaid program; reports. – The Department shall report on any change it anticipates making in the Medicaid program that impacts the type or level of service, reimbursement methods, or waivers, any of which require a change in the State Plan or other approval by the Centers for Medicare and Medicaid Services (CMS). The reports shall be provided at the same time they are submitted to CMS for approval. In addition to the entities listed in subsection (a)(4) of this section, the report shall be submitted to the Joint Legislative Health Care Oversight Committee.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2006

DRAFT
SPECIAL PROVISION

2006-DHHS-H61

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

CAP MEDICAID COUNTY SHARE

SECTION #.(a) Notwithstanding any other provision of law to the contrary, each county's portion of the nonfederal share of Medical Assistance Program costs, excluding administrative costs, for the 2006-2007 fiscal year and thereafter, shall not exceed the amount paid by the county for the nonfederal share of Medical Assistance Program costs, excluding administrative costs, for the 2005-2006 fiscal year. The limitation on the county share shall be in effect regardless of growth in Medical Assistance Program expenditures for the 2007-2008 fiscal year and thereafter.

SECTION #.(b) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Medical Assistance, the sum of eighteen million dollars ($18,000,000) in recurring funds for the 2006-2007 fiscal year shall be used to cover the increased cost to the State resulting from the cap on county share required by this section.

DRAFT
SPECIAL PROVISION

2006-DHHS-H5(S10.4)i

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

PROCEDURES FOR CHANGES TO DHHS MEDICAL POLICY

SECTION 10.4. Article 2 of Chapter 108A of the General Statutes is amended by adding the following new section to read:

"**§ 108A-54.2. Procedures for changing medical policy.**

The Department shall develop, amend, and adopt medical coverage policy in accordance with the following:

(1) During the development of new medical coverage policy or amendment to existing medical coverage policy, consult with and seek the advice of the Physician Advisory Group of the North Carolina Medical Society and other organizations the Secretary deems appropriate. The Secretary shall also consult with and seek the advice of officials of the professional societies or associations representing providers who are affected by the new medical coverage policy or amendments to existing medical coverage policy.

(2) At least 45 days prior to the adoption of new or amended medical coverage policy, the Department shall:

a. Publish the proposed new or amended medical coverage policy on the Department's Web site;

b. Notify all Medicaid providers of the proposed, new, or amended policy; and

c. Upon request, provide persons copies of the proposed medical coverage policy.

(3) During the 45-day period immediately following publication of the proposed new or amended medical coverage policy, accept oral and written comments on the proposed new or amended policy.

(4) If, following the comment period, the proposed new or amended medical coverage policy is modified, then the Department shall, at least 15 days prior to its adoption:

a. Notify all Medicaid providers of the proposed policy;

b. Upon request, provide persons notice of amendments to the proposed policy; and

c. Accept additional oral or written comments during this 15-day period."

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2006

DRAFT
SPECIAL PROVISION

2006-DHHS-H8(S10.7)i

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

MEDICAID RESERVE FUND TRANSFER

SECTION 10.7.(a) Of the funds transferred to the Department of Health and Human Services for Medicaid programs pursuant to G.S. 143-23.2, the sum of fifty million dollars ($50,000,000) for the 2006-2007 fiscal year shall be allocated as prescribed by G.S. 143-23.2(b) for Medicaid programs. Notwithstanding the prescription in G.S. 143-23.2(b) that these funds not reduce State general revenue funding, these funds shall replace the reduction in general revenue funding effected in this act.

SECTION 10.7.(b) Of the funds transferred to the Department of Health and Human Services for Medicaid programs pursuant to G.S. 143-23.2, the sum of five million four thousand five hundred four dollars ($5,004,504) for the 2006-2007 fiscal year shall be allocated as prescribed by G.S. 143-23.2(b) for the implementation of the Medicaid Management Information System (MMIS).

DRAFT
SPECIAL PROVISION

2006-DHHS-H10(S10.9)-P

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

TICKET TO WORK EFFECTIVE DATE CHANGE

SECTION 10.9.(a) Section 10.18(c) of S.L. 2005-276 reads as rewritten:

"**SECTION 10.18.(c)** Subsection (b) of this section becomes effective July 1, 2006. Subsection (a) of this section becomes effective ~~January 1, 2007, or within 30 days after the date on which the MMIS becomes operational, as determined by the Department of Health and Human Services, whichever occurs later.~~ July 1, 2007.

Client enrollment shall begin not later than six months from the date subsection (a) becomes effective. The remainder of this section is effective when it becomes law."

SECTION 10.9.(b) The Department of Health and Human Services shall study and develop a plan for the implementation of the Ticket to Work Program. The Department shall report to 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 not later than March 1, 2007, on the results of its study. The report shall include what system changes need to be made to implement the Ticket to Work Program, how soon the changes can be made, and an analysis of the five-year fiscal impact of the Program.

DRAFT
SPECIAL PROVISION

2006-DHHS-H49-P

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

MEDICAID/HEALTH CHOICE DENTAL ADMINISTRATIVE SERVICES STUDY

SECTION #. The Department of Health and Human Services, Division of Medical Assistance, shall study the costs and benefits of implementing a carve-out of dental administrative services provided by third-party administrators for Medicaid and NC Health Choice recipients. In conducting the study, the Division shall review the experiences of other states using carve-out for administrative services and the likelihood that a carve-out will increase the number of dentists willing to serve Medicaid and NC Health Choice recipients. The Department of Health and Human Services shall report its findings and recommendations and shall include in the report a comparison of what Medicaid and SCHIP dental programs in other states have done or are doing to increase the number of Medicaid and SCHIP recipients accessing dental care. The Department of Health and Human Services shall submit the report to the House of Representatives Appropriations Committee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division of the Legislative Services Office not later than March 1, 2007.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2006

DRAFT
SPECIAL PROVISION

2006-DHHS-H56-P

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

EXTEND EFFECTIVE DATE ON CHANGES TO LIENS ON REAL PROPERTY FOR PURPOSES OF ESTATE RECOVERY UNDER MEDICAID

SECTION #. Section 10.21C(c) of S.L. 2005-276, as amended by Section 16 of S.L. 2005-345, reads as rewritten:

"**SECTION 10.21C.(c)** This section becomes effective July 1, ~~2006,~~2007, and applies to recipients of medical assistance on or after that date."

DRAFT
SPECIAL PROVISION

2006-DHHS-H58

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

PILOT PROGRAM TO EVALUATE USE OF TELEMONITORING EQUIPMENT IN HOME CARE SERVICES

SECTION #.(a) The Department of Health and Human Services, Division of Medical Assistance, shall implement a pilot program to evaluate the use of telemonitoring equipment in home care services and community-based long term care services. The pilot program shall be implemented by October 1, 2006 and shall evaluate the use of telemonitoring equipment as a tool to improve the health of home care clients and community-based long term care clients through increased monitoring and responsiveness, and resulting in increased stabilization rates. The evaluation shall include a representative number of older adults. Not later than July 1, 2007, the Department shall report to the House of Representative Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, the Fiscal Research Division, and the North Carolina Study Commission on Aging on the implementation of the pilot program and its findings and recommendations on the cost-effectiveness of telemonitoring and the benefits to individuals and health care providers.

SECTION #.(b) Of the funds appropriated in this act to the Department of Health and Human Services, the sum of one million dollars ($1,000,000) may be used to implement the pilot program described in this section.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2006

DRAFT
SPECIAL PROVISION

2006-DHHS-H14(S10.13)i

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

HEALTH INFORMATION SYSTEMS (HIS) FUNDS

SECTION 10.13.(a) The sum of nine million eight hundred thirty-five thousand seven hundred ninety-five dollars ($9,835,795) is appropriated from Budget Code 24430, Fund Code 2117, to the Department of Health and Human Services, Division of Public Health, for the 2006-2007 fiscal year. These funds shall be used for the development and implementation of the Health Information Systems (HIS), an initiative that will provide an automated means of capturing, monitoring, reporting, and billing services provided in local health departments, CDSAs, and the State Public Health Lab. The HIS will allow for interfaces to local health departments' own vendor systems and is intended to replace the outdated Health Services Information System. Allocation of these funds is contingent upon full compliance with the reporting requirements of Section 10.59A.(b) of S.L. 2005-276 and the identification of total estimated costs and future funding sources.

SECTION 10.13.(b) The Department of Health and Human Services, Division of Public Health, shall report on the use of these funds 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 not later than March 1, 2007.

DRAFT
SPECIAL PROVISION

2006-DHHS-H16(S10.15)i

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

EARLY INTERVENTION SERVICES REPORT

SECTION 10.15. The Department of Health and Human Services, Division of Public Health, shall report on Early Intervention services. The report shall include the following information for all children, ages birth to three years, entering the Early Intervention system as of July 1, 2006, through December 31, 2006:

(1) Children served: the number of children referred and the source of referral, the number of children receiving initial evaluations, the number of children determined eligible, the number of children enrolled, and the number of IFS Plans developed.

(2) Services provided: the number and types of evaluation services, treatment services, and other services provided and whether the service was provided by an employee of a Children's Developmental Services Agency or a private provider.

(3) Sliding scale participation: the percentage of enrolled children whose family income falls into each of the following categories: at or below 200% of the federal poverty level, between 250% and 300% of the federal poverty level, between 350% and 400% of the federal poverty level, and over 400% of the federal poverty level. These percentages shall be reported based on gross income and net income after allowable deductions.

The Division of Public Health shall report its findings and recommendations to the Senate Appropriations Committee on Health and Human Services, the House of Representative Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division not later than February 1, 2007.

COMMUNITY HEALTH CENTER CHANGES

SECTION 10.16. Section 10.9(a) of S.L. 2005-276 reads as rewritten:

"**SECTION 10.9.(a)** Of the funds appropriated in this act for Community Health Grants, the sum of ~~two~~ five million dollars ($5,000,000) ~~($2,000,000) in recurring funds for the 2005-2006 fiscal year, and the sum of two million dollars ($2,000,000) in recurring funds~~ for the 2006-2007 fiscal year shall be ~~used for federally qualified health centers, for those health centers that meet the criteria for federally qualified health centers, and for State-designated rural health centers and public health departments and other clinics to:~~allocated to federally qualified health centers and those health centers that meet the criteria for federally qualified health centers, State-designated rural health centers, free clinics, public health departments, and other nonprofit organizations that provide primary and preventive medical services to uninsured or medically indigent patients to:

(1) Increase access to preventative and primary care services by uninsured or medically indigent patients in existing or new health center locations;

(2) Establish community health center services in counties where no such services exist;

(3) Create new services or augment existing services provided to uninsured or medically indigent patients, including primary care and preventative medical services, dental services, pharmacy, and behavioral health; and

(4) Increase capacity necessary to serve the uninsured by enhancing or replacing facilities, equipment, or technologies.

Grant funds may not be used to enhance or increase compensation or other benefits of personnel, administrators, directors, consultants, or any other parties. Grant funds may not be used to supplant federal funds traditionally received by federally qualified community health centers and may not be used to finance or satisfy any existing debt. ~~The Department of Health and Human Services shall distribute funds on the basis of the availability of other funds for the agency, and also on the basis of incidence of poverty or percentage of indigent clients served.~~In distributing funds, the Department of Health and Human Services shall consider the availability of other funds for the agency, the incidence of poverty or indigent clients served, arrangements for after-hours care, and collaboration with the applicant's community hospital and other safety net organizations."

DRAFT
SPECIAL PROVISION

2006-DHHS-H19(S10.18)-P

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

COMMUNITY-FOCUSED ELIMINATING HEALTH DISPARITIES INITIATIVE

SECTION 10.18. Of funds appropriated in this act to the Department of Health and Human Services for the 2006-2007 fiscal year, the sum of two million dollars ($2,000,000) shall be allocated for the Community-Focused Eliminating Health Disparities Initiative (CFEHDI) to provide grants-in-aid to local public health departments, American Indian tribes, and faith-based and community-based organizations to close the gap in the health status of African-Americans, Hispanics/Latinos, and American Indians as compared to white persons. These grants shall focus on the use of preventive measures to support healthy lifestyles. The areas of focus on health status shall be infant mortality, HIV-AIDS and sexually transmitted infections, cancer, diabetes, and homicides and motor vehicle deaths.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2006

DRAFT
SPECIAL PROVISION

2006-DHHS-H21(S10.19)i

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

CLARIFICATION OF CERTAIN AUDIT REQUIREMENTS

SECTION 10.19. G.S. 143B-139.4.(b) reads as rewritten:

"(b) A private, nonprofit organization that receives employee assistance or other appropriate services in accordance with subsection (a) of this section, shall document all contributions received, including employee time, supplies, materials, equipment, and physical space. The documentation shall also provide an estimated value of all contributions received as well as any compensation paid to or bonuses received by State employees. This documentation shall be submitted annually to the Secretary of the Department of Health and Human Services in a format approved by the Secretary. Nonprofit organizations with less than five hundred thousand dollars ($500,000) in annual income shall submit an affidavit from the chief officer of the organization providing and attesting to the financial condition of the organization and the expenditure of funds or use of State employee services or other State services. The board of directors of each private, nonprofit organization with an annual income of five hundred thousand dollars ($500,000) or more shall secure and pay for the services of the State Auditor's Office or employ a certified public accountant to conduct an annual audit of the financial accounts of the organization. The board of directors shall transmit to the Secretary of the Department a copy of the annual financial audit report of the private nonprofit organization. Nothing in this subsection shall be construed to relieve the private, nonprofit organization from other applicable reporting requirements established by law."

DRAFT
SPECIAL PROVISION

2006-DHHS-H51-P

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

FUNDS TO ASSIST RURAL HOSPITALS

SECTION #. Of the funds appropriated in this act to the Department of Health and Human Services, Office of Rural Health and Community Care, the sum of three million dollars ($3,000,000) for the 2006-2007 fiscal year shall be allocated to small rural hospitals in need of assistance with the operations and infrastructure maintenance of the hospital. These funds may be used for:

(1) Capital and operational needs of small rural hospitals. The Office of Rural Health and Community Care shall convene an advisory group to establish criteria for distribution of these funds. The criteria shall include the number of indigent patients served, the number of Medicaid recipients served, the per capita income of the area served by the hospital, and the financial needs of the hospital; and

(2) Pilot demonstration programs that address issues critical to the long-term survivability of rural hospitals such as: development of regional care networks for mental health services; restructuring of emergency department and outpatient services; and disease-focused regional referral and care networks. The Office of Rural Health and Community Care shall convene an advisory group to establish criteria for the pilot demonstration projects, distribution of funds, and monitoring and evaluation of the pilot projects.

The Office of Rural Health and Community Care shall report on the allocation of funds appropriated under this section to 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 not later than April 1, 2007.

AIDS DRUG ASSISTANCE PROGRAM

SECTION 10.21. Section 10.59(a) of S.L. 2005-276 reads as rewritten:

"**SECTION 10.59.(a)** ~~For the 2005-2006 fiscal year and for the 2006-2007 fiscal year, HIV-positive individuals with incomes at or below one hundred twenty-five percent (125%) of the federal poverty level are eligible for participation in ADAP. Eligibility for participation in ADAP during the 2005-2007 fiscal biennium shall not be extended to individuals with incomes above one hundred twenty-five percent (125%) of the federal poverty level.~~For the 2006-2007 fiscal year, the Department may adjust the financial eligibility criterion of the ADAP Program up to an amount not exceeding two hundred fifty percent (250%) of the federal poverty level in order to serve as many eligible North Carolinians living with HIV disease as possible within existing resources plus any new federal resources. If the Department raises the eligibility limit above one hundred twenty-five percent (125%) of the federal poverty level and a waiting list develops as a result, the Department shall give priority on the waiting list to those individuals at or below one hundred twenty-five percent (125%) of the federal poverty level. The Commission for Health Services shall adopt temporary rules in accordance with G.S. 150B-21.1 to implement adjustments in financial eligibility, including wait-list priorities, as soon as possible in order to access additional federal funds made available for ADAP program services."

AREA AUTHORITY AND COUNTY PROGRAM CRISIS REGIONS

SECTION 10.26.(a) Of the funds appropriated in this act to the Department of Health and Human Services, the sum of five million two hundred fifty thousand dollars ($5,250,000) for the 2006-2007 fiscal year shall be allocated on a per capita basis and shall be used by area authorities and county programs for operational start-up, capital, or subsidies related to the development and implementation of a plan for a continuum of regional crisis facilities and local crisis services ("crisis plan"). Funds not expended during the 2006-2007 fiscal year shall not revert to the General Fund but shall remain available for the purposes outlined in this subsection. As used in this subsection, the term "crisis" includes services for individuals with mental illnesses, developmental disabilities, and substance abuse addictions.

SECTION 10.26.(b) Of the funds appropriated in this act to the Department of Health and Human Services, the sum of two hundred twenty-five thousand dollars ($225,000) for the 2006-2007 fiscal year shall be used by the Department to hire a consultant to provide technical assistance to Local Management Entities (LMEs) to develop and implement the crisis plans required under subsection (a) of this section. As used in this subsection, the term "consultant" may refer to an individual or a business entity such as a corporation, a partnership, or a limited liability company. The roles and responsibilities of the Department, the consultant, and the LMEs are more fully explained in subsection (c) of this section. Funds not expended during the 2006-2007 fiscal year shall not revert to the General Fund but shall remain available for the purposes outlined in this subsection.

SECTION 10.26.(c) The Department of Health and Human Services shall hire a consultant to assist LMEs to carry out the requirements of this section. In addition to any other factors the Department determines are relevant when selecting the consultant, the Department shall take into consideration whether an applicant has prior experience evaluating crisis services at a local, regional, and statewide level, prior experience assisting State and local public agencies develop and implement crisis services, and the ability to implement its responsibilities within the time frames established under this section.

The consultant shall do all of the following:

(1) Develop a model for a continuum of crisis services for an urban area and for a rural area. The model shall outline how an LME, or a group of LMEs, can develop over a period of time the following components: 24-hour crisis telephone lines, walk-in crisis services, mobile crisis outreach, crisis respite/residential services, crisis stabilization units,

23-hour beds, regional crisis facilities, inpatient crisis and transportation. Options for voluntary admissions to a secured facility shall include at least one service appropriate to address the mental health, developmental disability, and substance abuse needs of adults, and the mental health, developmental disability, and substance abuse needs of children. Options for involuntary commitment to a secured facility shall include at least one option in addition to admission to a State facility. These models shall be the first deliverable under the consultant's contract.

(2) Review the findings and recommendations regarding crisis services developed by the Department as part of the long-range plan required under Section 10.24 of S.L. 2005-276. The consultant shall use this information and any other information it determines to: identify local and regional gaps in crisis services; identify options for providing those services; assist LMEs with developing and implementing a plan to provide a continuum of crisis services; and maintain transparency and accountability for the use of funds appropriated under this section.

(3) Designate appropriate groupings of LMEs for the development of regional crisis facilities. As used in this section, the term "regional crisis facility" means a facility-based crisis unit that serves an area that may be larger than the catchment area of a single LME. The consultant shall consult with LMEs in determining the grouping of LMEs for regional crisis facilities. The consultant shall also take into consideration geographical factors, prior LME groupings and partnerships, and existing community facilities. Each LME shall participate in the regional grouping established by the consultant in order to be eligible to receive funding under this section.

The consultant shall work with each regional group to determine whether a facility-based crisis center is needed in that region and whether one would be financially sustainable on a long-term basis. If the regional group and the consultant determine that a regional crisis facility is needed and sustainable, the regional group shall attempt to secure those services through a community hospital or other community facility first.

(4) Assist LMEs to develop a plan to implement a continuum of local crisis services. The plan shall be consistent with the models developed by the consultant under subdivision (1) of this subsection and shall address any gaps in crisis services identified by the study required under Section 10.24 of S.L. 2005-276. The plan for a continuum of local crisis services may be combined with a plan for the implementation of a regional crisis facility.

SECTION 10.26.(d) The Department may allocate up to three percent (3%) of the funds appropriated under subsection (a) of this section to LMEs to assist them with the cost of developing their crisis services plans. Each LME shall submit its crisis services plan to the consultant and to the Department for review no later than March 1, 2007. The plan shall take into consideration all other sources of funds in addition to the

funds appropriated under this section. The consultant and the Department shall review the plans to determine whether they meet all the requirements of this section. If the plan meets all the requirements of this section, the LME shall receive funding to implement the plan.

SECTION 10.26.(e) LMEs shall report monthly to the consultant and to the Department regarding the use of the funds, whether there has been a reduction in the use of State psychiatric hospitals for acute admissions, and any remaining gaps in local and regional crisis services. The consultant and the Department shall report quarterly to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Fiscal Research Division, and the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services regarding each LME's proposed and actual use of the funds appropriated under this section. The reporting requirement under this subsection shall expire July 1, 2008.

MH/DD/SA SERVICES CONSULTANT TASKS

SECTION 10.28. Independent consultants hired by the Department from funds appropriated in this act for this purpose shall undertake the following tasks:

(1) Assist DHHS with the strategic planning necessary to develop the revised State Plan as required under G.S. 122C-102. The State Plan shall be coordinated with local and regional crisis service plans by area authorities and county programs.

(2) Study and make recommendations to increase the capacity of DHHS to implement system reform successfully and in a manner that maintains strong management functions by area authorities and county programs at the local level.

(3) Assist the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to work with area authorities and county programs to:

a. Develop and implement five to ten critical performance indicators to be used to hold area authorities and county programs accountable for managing the mental health, developmental disabilities, and substance abuse services system. The performance system indicators shall be implemented no later than six months after the consultant's contract is awarded and in no event later than July 1, 2007.

b. Standardize the utilization management functions for Medicaid and non-Medicaid services and for the review and approval of person-centered plans.

c. Develop area authorities' and county programs' expertise to assume utilization management for Medicaid services. The goal shall be to have a portion of the area authorities and county programs assume that function beginning July 1, 2007, and the remainder to assume the function no later than July 1, 2009.

d. Implement other uniform procedures for the management functions of area authorities and county programs.

(4) Provide technical assistance and oversight to private service providers, area authorities, and county programs to ensure that best practices and new services are being delivered with fidelity to the service definition model.

(5) Provide ongoing and focused technical assistance to area authorities and county programs in the implementation of their administrative and management functions and the establishment and operation of community-based programs. The Secretary shall include in the State Plan a mechanism for monitoring the Department's success in implementing this duty and the progress of area authorities and county programs in achieving these functions.

(6) Assist the Division with implementing standard forms, contracts, processes, and procedures to be used by all area authorities and county programs with other public and private service providers. These processes and procedures shall include standardized denial codes and a standard policy regarding the coordination of benefits. The independent consultant shall consult with area authorities and county programs regarding the development of these forms, contracts, processes, and procedures. Any document or process developed under this subdivision shall place an obligation upon providers to transmit to area authorities and county programs timely client information and outcome data. The independent consultant shall also recommend language regarding what constitutes a clean claim for purposes of billing. When implementing this subdivision, the independent consultant shall balance the need for area authorities and county programs to exercise discretion in the discharge of their management responsibilities with the need of private service providers for a uniform system of doing business with public entities. The independent consultant shall also (i) identify other areas of standardization that may be implemented without undermining the authority of area authorities and county programs, and (ii) identify and eliminate processes and procedures that are duplicative or result in unnecessary paperwork.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2006

DRAFT
SPECIAL PROVISION

2006-DHHS-H31(S10.30)i

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

INDEDPENDENT- AND SUPPORTIVE-LIVING APARTMENTS INITIATIVE

SECTION 10.30. The independent and supportive living apartments for persons with disabilities constructed from funds appropriated in this act for that purpose shall be affordable to persons with incomes at the Supplemental Security Income (SSI) level. If the North Carolina Housing Finance Agency is able to finance the apartments for less than the amount appropriated under this section, any remaining funds, as well as any interest earned on the amount appropriated, may be used to finance additional apartments, group homes, and transitional housing for individuals with disabilities.

DRAFT
SPECIAL PROVISION

2006-DHHS-H33(S10.32)-P

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

LOCAL MANAGEMENT ENTITY ADMINISTRATIVE FUNCTIONS

SECTION 10.32. The Department of Health and Human Services shall recalculate local management entity (LME) systems management allocations for fiscal year 2006-2007 to include funds for each LME to implement the following:

(1) 24-hour, seven days a week screening, triage, and referral;
(2) Provider endorsement, monitoring, technical assistance, capacity development, and quality control;
(3) Authorization of all State-funded services;
(4) Care coordination, including the direct monitoring of the effectiveness of person-center plans;
(5) Community collaboration and consumer affairs; and
(6) Financial management and accountability and information management.

DRAFT
SPECIAL PROVISION

2006-DHHS-H50A

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

ACCESS TO PSYCHIATRIC SERVICES

SECTION #. Funds appropriated in this act to increase access to psychiatric services for the 2006-2007 fiscal year may be used for the following purposes:

(1) To cover non-fee-for-service billable functions that psychiatrists perform, including incentives to increase the participation of psychiatrists in new best-practice models of service such as Community Treatment Teams;

(2) Designing graduate medical education incentives to influence the training of psychiatrists to produce more psychiatrists interested in working with public sector communities;

(3) Designing programs for loan forgiveness and recruitment incentives for new psychiatrists serving Medicaid and other State-funded consumers.

DISTRIBUTION OF MENTAL HEALTH, SUBSTANCE ABUSE AND CRISIS SERVICES FUNDS

SECTION 10.33A.(a) Funds appropriated in this act for mental health services, substance abuse services, and crisis services shall be allocated to local management entities such that each local management entity receives a percentage of the total allocation that is equal to that local management entity's percentage of the State's total population that is below the federal poverty level.

SECTION 10.33A.(b) Funds allocated pursuant to subsection (a) of this section for substance abuse services may be used to replace lost federal funding for substance abuse services in drug treatment courts, provided that such funds shall be allocated only in the amount of lost funding and shall not exceed two million dollars ($2,000,000). Before allocating these funds, the Department of Health and Human Services shall verify the loss of federal funding for substance abuse services in drug treatment courts and the amount of federal funds lost.

SECTION 10.33A.(c) The local management entity shall consult with the local drug treatment court team and shall select a treatment provider that meets all provider qualification requirements and the drug treatment court's needs. A single treatment provider may be chosen for non-Medicaid-eligible participants only. A single provider may be chosen who can work with all of the non-Medicaid-eligible drug treatment court participants in a single group.

SECTION 10.33A.(d) The Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall study whether the target population for substance abuse services needs to be expanded to include more participants of the drug treatment courts, and shall report its findings 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 not later than April 1, 2007.

DRAFT
SPECIAL PROVISION

2006-DHHS-H52-P

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

PSYCHIATRIC HOSPITAL DEBT SERVICE

SECTION #.(a) G.S. 143-15.3D(c) reads as rewritten:

"(c) Notwithstanding G.S. 143-18, any nonrecurring savings in State appropriations realized from the closure of any State psychiatric hospitals that are in excess of the cost of operating and maintaining a new State psychiatric hospital shall not revert to the General Fund but shall be placed in the Trust Fund and shall be used for the purposes authorized in this section. Notwithstanding G.S. 143-18, recurring savings realized from the closure of any State psychiatric hospitals shall not revert to the General Fund but shall be ~~used for the payment of debt service on financing contract indebtedness authorized pursuant to Article 9 of Chapter 142 of the General Statutes for the construction of a new State psychiatric hospital. Any remainder not needed for this debt service shall be~~ credited to the Department of Health and Human Services to be used only for the purposes of subsections (b)(2) and (b)(3) of this section."

SECTION #.(b) This section becomes effective July 1, 2007. Debt service authorized pursuant to Article 9 of Chapter 142 of the General Statutes for the construction of a new State psychiatric hospital shall be paid with funds from the General Fund. Any funds budgeted for debt service on the new psychiatric hospital before July 1, 2007, shall be redirected for purposes authorized under G.S. 143-15.3D(b)(2) and (b)(3).

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2006

DRAFT
SPECIAL PROVISION

2006-DHHS-H40(S10.34)i

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

CHILD CARE ALLOCATION FORMULA

SECTION 10.34. Section 10.61(c) of S.L. 2005-276 reads as rewritten:

"**SECTION 10.61.(c)** Notwithstanding subsection (a) of this section, the Department of Health and Human Services shall allocate up to twenty-two million dollars ($22,000,000) in federal block grant funds and State funds appropriated for fiscal years ~~2004-2005~~2005-2006 and ~~2005-2006~~2006-2007 for child care services. These funds shall be allocated to prevent termination of child care services."

DRAFT
SPECIAL PROVISION

2006-DHHS-H44-P

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

CHILD CARE FUNDS MATCHING REQUIREMENT

SECTION #. Section 10.60 of S.L. 2005-276 reads as rewritten:

"**SECTION 10.60.** No local matching funds may be required by the Department of Health and Human Services as a condition of any locality's receiving ~~any State~~its initial allocation of child care funds appropriated by this act unless federal law requires a match. ~~This shall not prohibit any locality from spending local funds for child care services.~~If the Department reallocates additional funds above twenty-five thousand dollars ($25,000) to local purchasing agencies beyond their initial allocation, local purchasing agencies must provide a twenty-five percent (25%) local match to receive the reallocated funds. Matching requirements shall not apply when funds are allocated because of a disaster as defined in G.S. 166A-4(1)."

DRAFT
SPECIAL PROVISION

2006-DHHS-H53-P

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

REQUIRE MINIMUM OF SMART START FUNDS FOR CHILD CARE SUBSIDY

SECTION #. Notwithstanding G.S. 143B-168.15(g), of the ten million dollars ($10,000,000) appropriated in this act to the North Carolina Partnership for Children, Inc., for the 2006-2007 fiscal year for local partnership initiatives, a minimum of thirty percent (30%) of the allocation to each local partnership shall be used for child care subsidy. This percentage shall be in addition to the direct services allocation for the 2006-2007 fiscal year.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2006

DRAFT
SPECIAL PROVISION

2006-DHHS-H57-P

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

FUNDS TO REPLACE SMART START ALLOCATIONS FOR MORE AT FOUR AND TO HOLD HARMLESS LOCAL PARTNERSHIPS

SECTION #. Of the expansion funds appropriated in this act from NC Lottery proceeds to the More at Four Program, the sum of three million dollars ($3,000,000) for the 2006-2007 fiscal year shall be used by the More at Four Program to replace a portion of the funds allocated by local partnerships for the More at Four Program. The North Carolina Partnership for Children shall not reduce allocations to local partnerships below the 2005-2006 allocation because of funds allocated to More at Four under this section.

PILOT PROGRAM TO EVALUATE USE OF TELEMONITORING EQUIPMENT IN HOME CARE SERVICES

SECTION #.(a) The Department of Health and Human Services, Division of Medical Assistance, shall implement a pilot program to evaluate the use of telemonitoring equipment in home care services and community-based long term care services. The pilot program shall be implemented by October 1, 2006 and shall evaluate the use of telemonitoring equipment as a tool to improve the health of home care clients and community-based long term care clients through increased monitoring and responsiveness, and resulting in increased stabilization rates. The evaluation shall include a representative number of older adults. Not later than July 1, 2007, the Department shall report to the House of Representative Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, the Fiscal Research Division, and the North Carolina Study Commission on Aging on the implementation of the pilot program and its findings and recommendations on the cost-effectiveness of telemonitoring and the benefits to individuals and health care providers.

SECTION #.(b) Of the funds appropriated in this act to the Department of Health and Human Services, the sum of one million dollars ($1,000,000) shall be used to implement the pilot program described in this section.

DRAFT
SPECIAL PROVISION

2006-DHHS-H60A

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

DHHS TO DEVELOP STRATEGIES TO OFFSET THE COST TO PHARMACISTS OF PROVIDING SERVICES TO MEDICAID RECIPIENTS ENROLLED IN MEDICARE PART D.

SECTION #. The General Assembly recognizes the critical need for pharmacy management services to Medicaid recipients enrolled in Medicare Part D. In light of the additional costs to pharmacists that provide pharmacy services to Medicaid recipients enrolled in Medicare Part D, and in light of the fact that federal law does not provide federal matching funds under the Medicaid program for these services, the Department of Health and Human Services shall develop strategies for reimbursing or otherwise assisting pharmacists in providing these services to Medicaid recipients enrolled in Medicare Part D. Among the strategies to be considered is a State-funded subsidy program to ensure that pharmacies adversely affected by the additional costs may remain in business and thus continue to provide pharmacy services throughout the State. The Department shall report its findings and recommended strategies to the House of Representative Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division not later than April 1, 2007.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2006

DRAFT
SPECIAL PROVISION

2006-DHHS-H61

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

CAP MEDICAID COUNTY SHARE

SECTION #.(a) Notwithstanding any other provision of law to the contrary, each county's portion of the nonfederal share of Medical Assistance Program costs, excluding administrative costs, for the 2006-2007 fiscal year and thereafter, shall not exceed the amount paid by the county for the nonfederal share of Medical Assistance Program costs, excluding administrative costs, for the 2005-2006 fiscal year. The limitation on the county share shall be in effect regardless of growth in Medical Assistance Program expenditures for the 2007-2008 fiscal year and thereafter.

SECTION #.(b) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Medical Assistance, the sum of eighteen million dollars ($18,000,000) in recurring funds for the 2006-2007 fiscal year shall be used to cover the increased cost to the State resulting from the cap on county share required by this section.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2006

DRAFT
SPECIAL PROVISION

2006-DHHS-H62

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

USE OF FUNDS IN MENTAL HEALTH TRUST FUND

SECTION #. Of the funds appropriated in this act for mental health, developmental disabilities, and substance abuse services, the sum of twenty-four million two hundred five thousand ($24,205,000) in non-recurring funds for the fiscal year 2006-2007 shall be deposited to the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs. Of these funds, the sum of nine million two hundred five thousand ($9,205,000) for the 2006-2007 fiscal year shall be used as follows:

(1) $1,500,000 for mental health services to be distributed to local management entities.

(2) $1,500,000 for substance abuse services to be distributed to local management entities.

(3) $3,000,000 for mental health, developmental disabilities, and substance abuse crisis services.

(4) $2,000,000 to increase access to psychiatric services.

(5) $1,205,000 to provide one-time operating support for independent-living apartments. It is the intent of the General assembly to provide funds in future years for operating support for the 400 independent-living and supportive-living apartments as they are constructed and ready for occupation.

DRAFT
SPECIAL PROVISION

2006-DHHS-H63

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

STATE-COUNTY SPECIAL ASSISTANCE

SECTION #. (a) Effective October 1, 2006, the maximum monthly rate for residents in adult care home facilities shall be one thousand one hundred thirty-two dollars ($1,132) per month per resident.

DHHS BLOCK GRANTS

SECTION 5.1.(a) Appropriations from federal block grant funds are made for the fiscal year ending June 30, 2007, according to the following schedule:

TEMPORARY ASSISTANCE TO NEEDY FAMILIES
(TANF) BLOCK GRANT

Local Program Expenditures

Division of Social Services

01.	Work First Family Assistance (Cash Assistance)	$108,000,000
02.	Work First County Block Grants	94,653,315
03.	Child Protective Services – Child Welfare Workers for Local DSS	12,452,391
04.	Work First – Boys and Girls Clubs	1,500,000
05.	Work First – After-School Services for At-Risk Children	2,249,642
06.	Work First – After-School Programs for At-Risk Youth in Middle Schools	500,000
07.	Child Welfare Collaborative	1,000,000
08.	Work First – Work Central	550,000
09.	Adoption Services – Special Children's Adoption Fund	3,000,000
10.	Family Violence Prevention	2,200,000
11.	Foster Care	2,000,000

12.	Child and Family Mental Health Services	4,000,000
13.	Emergency Housing Assistance	4,000,000
	Division of Child Development	
14.	Subsidized Child Care Program	53,237,268
	DHHS Administration	
15.	Division of Social Services	586,931
16.	Office of the Secretary	65,836
17.	Office of the Secretary/DIRM – TANF Automation Projects	592,500
18.	Office of the Secretary/DIRM – NC FAST Implementation	1,800,000
	Transfers to Other Block Grants	
	Division of Child Development	
19.	Transfer to the Child Care and Development Fund	81,292,880
	Division of Social Services	
20.	Transfer to Social Services Block Grant for Department of Juvenile Justice and Delinquency Prevention – Support Our Students	2,749,642
21.	Transfer to Social Services Block Grant for Child Protective Services – Child Welfare Training in Counties	2,550,000
22.	Transfer to Social Services Block Grant for Maternity Homes	838,000
23.	Transfer to Social Services Block Grant for Teen Pregnancy Prevention Initiatives	2,500,000
24.	Transfer to Social Services Block Grant for County Departments of Social Services for Children's Services	4,500,000

25.	Transfer to Social Services Block Grant for Foster Care Services	1,181,907
TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) BLOCK GRANT		$388,000,312

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 – $4,500,000)	$ 28,868,189
02.	State In-Home Services Fund	2,101,113
03.	State Adult Day Care Fund	2,155,301
04.	Child Protective Services/CPS Investigative Services-Child Medical Evaluation Program	238,321
05.	Foster Care Services (Transfer from TANF – $1,181,907)	1,706,063
06.	Child Protective Services-Child Welfare Training for Counties (Transfer from TANF)	2,550,000
07.	Maternity Homes (Transfer from TANF)	838,000
08.	Local DSS Services for Hurricane Victims	509,272

Division of Aging and Adult Services

09.	Home and Community Care Block Grant (HCCBG)	1,834,077

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

10.	Mental Health Services Program	422,003
11.	Developmental Disabilities Services Program	5,000,000

12.	Mental Health Services-Adult/Mental Health Services-Child/Developmental Disabilities Program/ Substance Abuse Services-Adult	3,234,601
	Division of Child Development	
13.	Subsidized Child Care Program	3,150,000
	Division of Vocational Rehabilitation	
14.	Vocational Rehabilitation Services – Easter Seal Society/UCP	188,263
	Office of the Secretary – Office of Economic Opportunity	
15.	Elderly Supplemental Grant Program	41,302
	Division of Public Health	
16.	Teen Pregnancy Prevention Initiatives (Transfer from TANF)	2,500,000
	DHHS Program Expenditures	
	Division of Aging and Adult Services	
17.	UNC-CARES Training Contract	247,920
	Division of Services for the Blind	
18.	Independent Living Program	3,314,114
	Division of Facility Services	
19.	Adult Care Licensure Program	411,897
20.	Mental Health Licensure and Certification Program	205,668
	DHHS Administration	
21.	Division of Aging and Adult Services	630,636
22.	Division of Social Services	869,058
23.	Office of the Secretary/Controller's Office	123,059

24.	Office of the Secretary/DIRM	82,009
25.	Division of Child Development	15,000
26.	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	18,098
27.	Division of Facility Services	62,986
28.	Office of the Secretary-NC Inter-Agency Council For Coordinating Homeless Programs	250,000
29.	Office of the Secretary-Housing Coalition	100,000

Transfers to Other State Agencies

Department of Administration

30.	NC Commission of Indian Affairs In-Home Services for the Elderly	203,198

Department of Juvenile Justice and Delinquency Prevention

31.	Support Our Students (Transfer from TANF)	2,749,642

Transfers to Other Block Grants

Division of Public Health

32.	Transfer to Preventive Health Services Block Grant for HIV/STD Prevention and Community Planning	145,819

TOTAL SOCIAL SERVICES BLOCK GRANT $ 64,765,609

LOW-INCOME ENERGY BLOCK GRANT

Local Program Expenditures

Division of Social Services

01.	Low Income Energy Assistance Program (LIHEAP)	$ 28,684,494
02.	Crisis Intervention Program (CIP)	20,831,114

Office of the Secretary – Office of Economic Opportunity

03.	Weatherization Program	9,431,545
04.	Heating Air Repair & Replacement Program (HARRP)	4,399,042
Local Administration		
	Division of Social Services	
05.	County DSS Administration	2,057,992
	Office of the Secretary – Office of Economic Opportunity	
06.	Local Residential Energy Efficiency Service Providers – Weatherization	257,185
07.	Local Residential Energy Efficiency Service Providers – HARRP	119,955
DHHS Administration		
08.	Division of Social Services	319,774
09.	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	7,146
10.	Office of the Secretary/DIRM	245,395
11.	Office of the Secretary/Controller's Office	11,211
12.	Office of the Secretary/Office of Economic Opportunity – Weatherization	257,185
13.	Office of the Secretary/Office of Economic Opportunity – HARRP	119,955
Transfers to Other State Agencies		
14.	Department of Administration – N.C. State Commission of Indian Affairs	58,455
TOTAL LOW-INCOME ENERGY BLOCK GRANT		$ 66,800,448
CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT		
Local Program Expenditures		

Division of Child Development		
01.	Subsidized Child Care Services	$165,102,685
02.	Subsidized Child Care Services (TANF to CCDF)	81,292,880
DHHS Program Expenditures		
Division of Child Development		
03.	Quality and Availability Initiatives	34,951,707
Local Administrations		
Division of Child Development		
04.	Administrative Expenses (Non-Direct Subsidy Services Support)	1,849,000
DHHS Administration		
05.	DCD Administrative Expenses	6,028,354
TOTAL CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT		$289,224,626
MENTAL HEALTH SERVICES BLOCK GRANT		
Local Program Expenditures		
01.	Mental Health Services – Adult	$ 7,184,481
02.	Mental Health Services – Child	3,921,991
03.	Comprehensive Treatment Service Program	1,500,000
Local Administration		
04.	Division of Mental Health	100,000
TOTAL MENTAL HEALTH SERVICES BLOCK GRANT		$ 12,706,472
SUBSTANCE ABUSE PREVENTION		

AND TREATMENT BLOCK GRANT		
Local Program Expenditures		
01.	Substance Abuse Services – Adult	$ 20,537,390
02.	Substance Abuse Treatment Alternative for Women	8,069,524
03.	Substance Abuse – HIV and IV Drug	4,816,378
04.	Substance Abuse Prevention – Child	5,835,701
05.	Substance Abuse Services – Child	4,940,500
06.	Substance Abuse Strengthening Families – Prevention	851,156
Division of Public Health		
07.	Risk Reduction Projects	383,980
08.	Aid-to-Counties	209,576
09.	Maternal Health	37,779
DHHS Administration		
10.	Division of Mental Health	500,000
TOTAL SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT		$ 46,181,984
MATERNAL AND CHILD HEALTH BLOCK GRANT		
Local Program Expenditures		
Division of Public Health		
01.	Healthy Mothers/Healthy Children	9,359,236
02.	Children's Health Services	4,114,216
03.	Healthy Beginnings	404,559
04.	Maternal Health	397,761

05.	Teen Pregnancy Prevention Initiatives	85,710
DHHS Program Expenditures		
Division of Public Health		
06.	Children's Health Services	3,149,826
07.	Maternal Health	185,488
08.	State Center for Health Statistics	29,432
09.	Local Technical Assistance & Training	47,424
10.	Injury and Violence Prevention	149,438
11.	Office of Minority Health	98,236
12.	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	22,856
13.	Immunization Program – Vaccine Distribution	414,175
DHHS Administration		
14.	Division of Public Health Administration	550,681
TOTAL MATERNAL AND CHILD HEALTH BLOCK GRANT		$ 19,009,038
PREVENTIVE HEALTH SERVICES BLOCK GRANT		
Local Program Expenditures		
01.	NC Statewide Health Promotion	$1,755,653
02.	Services to Rape Victims	197,112
03.	HIV/STD Prevention and Community Planning (Transfer from Social Services Block Grant)	145,819
DHHS Program Expenditures		
04.	NC Statewide Health Promotion	431,444

05.	Oral Health	114,251
06.	Osteoporosis Program	67,593

DHHS Administration

07.	Division of Public Health	109,211

TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT $2,821,083

COMMUNITY SERVICES BLOCK GRANT

Local Program Expenditures

Office of Economic Opportunity – Community Services Block Grant

01.	Community Action Agencies	$ 15,071,666
02.	Limited Purpose Agencies	823,261

DHHS Administration

03.	Office of Economic Opportunity	823,261

TOTAL COMMUNITY SERVICES BLOCK GRANT $ 16,718,188

GENERAL PROVISIONS

SECTION 5.1.(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 5.1.(c) Changes in Federal Fund Availability. – If the Congress of the United States increases the federal fund availability for any of the 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 Department shall not propose funding for new programs or activities not appropriated in this section or increase State administrative expenditures.

If the Congress of the United States decreases the federal fund availability for any of the Block Grants administered by the Department of Health and Human Services from the amounts appropriated in this section, the Department shall reduce State administration by at least the percentage of the reduction in federal funds. After determining the State administration, the remaining reductions shall be allocated proportionately across the program and activity appropriations identified for that Block Grant in this section. In allocating a decrease in federal fund availability, the Department shall not eliminate the funding for a program or activity appropriated in this section unless it is related to the State administration.

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 5.1.(d) All changes to the budgeted allocations to the 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 a report shall be submitted to the Joint Legislative Commission on Governmental Operations for review prior to implementing the changes. All changes to the budgeted allocations to the Block Grant 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 5.1.(e) The Department of Health and Human Services 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 on positions funded from federal Block Grants. The report shall include the following for each Block Grant:

(1) All State positions currently funded through the Block Grant, including permanent, temporary, and time-limited positions.
(2) Budgeted salary and fringe benefits for each position.
(3) Identify the percentage of Block Grant funds used to fund each position.

The report shall be submitted no later than December 1, 2006.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES BLOCK GRANT (TANF)

SECTION 5.1.(f) The sum of five hundred eighty-six thousand nine hundred thirty-one dollars ($586,931) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2006-2007 fiscal year shall be used to support administration of TANF-funded programs.

SECTION 5.1.(g) The sum of two million two hundred thousand dollars ($2,200,000) appropriated under this section in the TANF Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2006-2007 fiscal year shall be used to provide domestic violence services to Work First recipients. These funds shall be used to provide domestic violence counseling, support, and other direct services to clients. These funds shall not be used to establish new domestic violence shelters or to facilitate lobbying efforts. The Division of Social Services may use up to seventy-five thousand dollars ($75,000) in TANF funds to support one administrative position within the Division of Social Services to implement this subsection.

Each county department of social services and the local domestic violence shelter program serving the county shall jointly develop a plan for utilizing these funds. The plan shall include the services to be provided and the manner in which the services shall be delivered. The county plan shall be signed by the county social services director or the director's designee and the domestic violence program director or the director's designee and submitted to the Division of Social Services by December 1, 2006. The Division of Social Services, in consultation with the Council for Women, shall review the county plans and shall provide consultation and technical assistance to the departments of social services and local domestic violence shelter programs, if needed.

The Division of Social Services shall allocate these funds to county departments of social services according to the following formula: (i) each county shall receive a base allocation of five thousand dollars ($5,000); and (ii) each county shall receive an allocation of the remaining funds based on the county's proportion of the statewide total of the Work First caseload as of July 1, 2006, and the county's proportion of the statewide total of the individuals receiving domestic violence services from programs funded by the Council for Women as of July 1, 2006. The Division of Social Services may reallocate unspent funds to counties that submit a written request for additional funds.

SECTION 5.1.(h) The sum of two million two hundred forty-nine thousand six hundred forty-two dollars ($2,249,642) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2006-2007 fiscal year shall be used to expand after-school programs and services for at-risk children. The Department shall develop and implement a grant program to award grants to community-based programs that demonstrate the ability to reach children at risk of teen pregnancy, school dropout, and gang participation. The Department shall award grants to community-based organizations that demonstrate the ability to develop and implement linkages with local departments of social services, area mental health programs, schools, and other human services programs in order to provide support services and assistance to the child and family. These funds may be used to fund one position within the Division of Social Services to coordinate at-risk after-school programs and shall not be used for other State administration.

SECTION 5.1.(i) The sum of twelve million four hundred fifty-two thousand three hundred ninety-one dollars ($12,452,391) appropriated in this section to the Department of Health and Human Services, Division of Social Services, in the TANF Block Grant for the 2006-2007 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 postadoption services for eligible families.

SECTION 5.1.(j) The sum of three million dollars ($3,000,000) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services, Special Children Adoption Fund, for the 2006-2007 fiscal year shall be used in accordance with Section 10.48 of S.L. 2005-276. 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 5.1.(k) The sum of one million eight hundred thousand dollars ($1,800,000) in this section appropriated to the Department of Health and Human Services in the TANF Block Grant for the 2006-2007 fiscal year shall be used to implement N.C. FAST (North Carolina Families Accessing Services through Technology). The N.C. FAST Program involves the entire automation initiative through which families access services and local departments of social services deliver benefits, supervised by the Department of Health and Human Services, Divisions of Social Services, Aging and Adult Services, Medical Assistance, and Child Development. The statewide automated initiative shall be implemented in compliance with federal regulations in order to ensure federal financial participation in the project. The Department of Health and Human Services shall report on its compliance with this subsection 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 no later than January 1, 2007.

SECTION 5.1.(l) The sum of five hundred thousand dollars ($500,000) appropriated in this section to the Department of Health and Human Services, Division of Social Services, in the TANF Block Grant for the 2006-2007 fiscal year shall be used to expand after-school programs for at-risk children attending middle school. The Department shall develop and implement a grant program to award funds to community-based programs demonstrating the capacity to reach children at risk of teen pregnancy, school dropout, and gang participation. These funds shall not be used for training or administration at the State level. All funds shall be distributed to community-based programs, focusing on those communities where similar programs do not exist in middle schools.

SECTION 5.1.(m) In implementing the TANF Block Grant, the Department of Health and Human Services shall review policies, programs, and initiatives to ensure

that they support men in their role as fathers and strengthen fathers' involvement in their children's lives. The Department shall encourage county departments of social services to ensure their Work First programs emphasize responsible fatherhood and increased participation by noncustodial fathers.

SECTION 5.1.(n) The sum of five hundred fifty thousand dollars ($550,000) appropriated in this section to the Department of Health and Human Services in the TANF Block Grant for the 2006-2007 fiscal year shall be transferred to Work Central, Inc. Work Central, Inc., shall report on the number of people served and the services received as a result of the receipt of funds. The report shall contain expenditure data, including the amount of funds used for administration and direct training. The report shall also include the number of people who have been employed as a direct result of services provided by Work Central, Inc., including the length of employment in the new position. The Department of Health and Human Services shall evaluate the program and ensure that services provided are not duplicative of local employment security commissions in the nine counties served by Work Central, Inc. The evaluation report shall be submitted 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 no later than May 1, 2007.

SECTION 5.1.(o) The sum of one million five hundred thousand dollars ($1,500,000) appropriated in this section to the Department of Health and Human Services in the Social Services Block Grant for Boys and Girls Clubs for the 2006-2007 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 encourage and facilitate collaboration between the Boys and Girls Clubs and Support Our Students, Communities in Schools, and similar programs to submit joint applications for the funds if appropriate.

SECTION 5.1.(p) The sum of four million dollars ($4,000,000) appropriated in this section to the Department of Health and Human Services, Division of Social Services, in the TANF Block Grant for the 2006-2007 fiscal year shall be used to increase work participation rates by providing substance abuse and mental health services. The services shall be provided to families and children with child welfare issues and mental health or substance abuse problems that are an impediment to work. The Division of Social Services shall work with the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services in the development and implementation of this program.

SECTION 5.1.(q) The sum of four million dollars ($4,000,000) appropriated in this section to the Department of Health and Human Services, Division of Social Services, in the TANF Block Grant for the 2006-2007 fiscal year shall be used to increase work participation rates by providing targeted emergency housing assistance for families and children receiving TANF. The funds shall be used to provide short-term rent assistance or security deposits for families to maintain stable housing,

transition from homelessness, or prevent homelessness, including domestic violence situations. The Division of Social Services shall work with the North Carolina Housing Finance Agency in the development and implementation of this program.

SECTION 5.1.(r) The sum of one million dollars ($1,000,000) appropriated in this section to the Child Welfare Collaborative in the TANF Block Grant for the 2006-2007 fiscal year shall be used to provide service awards for students receiving undergraduate or graduate degrees in social work.

SECTION 5.1.(s) It is the intent of the General Assembly that effective beginning with the 2007-2008 fiscal year, North Carolina counties will use county funding to replace any lost TANF and Maintenance of Effort (MOE) funds resulting from North Carolina being penalized for not meeting work participation rates in the 2006-2007 fiscal year and thereafter. The Department of Health and Human Services, Division of Social Services, shall develop a plan for implementation of county penalty payments. The Department shall report on its development and implementation of the plan 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 no later than April 1, 2007.

SOCIAL SERVICES BLOCK GRANT

SECTION 5.1.(t) Social Services Block Grant funds appropriated to the North Carolina Inter-Agency Council for Coordinating Homeless Programs and the North Carolina Housing Coalition are exempt from the provisions of 10A NCAC 71R.0201(3).

SECTION 5.1.(u) The sum of two million seven hundred forty-nine thousand six hundred forty-two dollars ($2,749,642) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services and transferred to the Department of Juvenile Justice and Delinquency Prevention for the 2006-2007 fiscal year shall be used to support the existing Support Our Students Program, including gang prevention, and to expand the Program statewide, focusing on low-income communities in unserved areas. These funds shall not be used for administration of the Program.

SECTION 5.1.(v) The sum of two million five hundred fifty thousand dollars ($2,550,000) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2006-2007 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) Support the Masters Degree in Social Work/Baccalaureate Degree in Social Work Collaborative.
(3) Provide training for residential child care facilities.
(4) Provide for various other child welfare training initiatives.

SECTION 5.1.(w) The sum of eight hundred thirty-eight thousand dollars ($838,000) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services for the 2006-2007 fiscal year shall be used to purchase services at maternity homes throughout the State.

SECTION 5.1.(x) The sum of one million seven hundred six thousand sixty-three dollars ($1,706,063) appropriated in this section in the Social Services Block Grant for child caring agencies for the 2006-2007 fiscal year shall be allocated to the State Private Child Caring Agencies Fund.

SECTION 5.1.(y) 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.

LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM

SECTION 5.1.(z) 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.

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT

SECTION 5.1.(aa) The sum of no more than four hundred thousand dollars ($400,000) appropriated in this section to the Department of Health and Human Services in the Child Care and Development Fund Block Grant for the 2006-2007 fiscal year may be used for the operations of the Medical Child Care Pilot.

SECTION 5.1.(bb) 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 5.1.(cc) 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.

MENTAL HEALTH BLOCK GRANT

SECTION 5.1.(dd) The sum of one million five hundred thousand dollars ($1,500,000) appropriated in this section in the Mental Health Block Grant to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the 2006-2007 fiscal year, and the sum of four hundred twenty-two thousand three dollars ($422,003) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2006-2007 fiscal year shall be used to continue a Comprehensive Treatment Services Program for Children in accordance with Section 10.25 of S.L. 2005-276.

SECTION 5.1.(ee) The Department of Health and Human Services shall contract with the University of North Carolina at Chapel Hill for the purpose of

providing psychology student stipends in the amount of fifty thousand dollars ($50,000) for the 2006-2007 fiscal year. Twenty-five thousand dollars ($25,000) of this contract shall be paid from the Mental Health Block Grant.

MATERNAL AND CHILD HEALTH BLOCK GRANT

SECTION 5.1.(ff) 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 2006-2007 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). The Department of Public Instruction shall carefully and strictly follow federal guidelines in implementing and administering the abstinence education grant funds.

SECTION 5.1.(gg) The Department of Health and Human Services shall ensure that there will be follow-up testing in the Newborn Screening Program.

Senate Special Provisions

Department of Health And Human Services

DHHS

grant pursuant to this section if the member is enrolled as a full-time ~~student.~~undergraduate student or as a licensure student. The member's legislative tuition grant shall not exceed the cost of tuition less any tuition assistance paid by the member's employer.

(d) A legislative tuition grant authorized under ~~G.S. 116-21.2~~ G.S. 116-21.2(a) shall be reduced by twenty-five percent (25%) for any individual student who has completed 140 semester credit hours or the equivalent of 140 semester credit hours."

SECTION 9.13.(f) G.S. 116-21.4(b) reads as rewritten:

"(b) Expenditures made pursuant to G.S. 116-19, 116-20, 116-21.1, or 116-21.2 shall not be used for any student or licensure student who:

(1) Is incarcerated in a State or federal correctional facility for committing a Class A, B, B1, or B2 felony; or

(2) Is incarcerated in a State or federal correctional facility for committing a Class C through I felony and is not eligible for parole or release within 10 years."

SECTION 9.13.(g) G.S. 116-22 is amended by adding a new subdivision to read:

"(1b) 'Licensure student' shall mean a person who:

a. Has a bachelors degree;

b. Is enrolled either full-time or less than full-time in a program intended to result in licensure in teaching or nursing;

c. Attends an institution located in the State; and

d. Qualifies as a resident of North Carolina in accordance with definitions of residency that may from time to time be adopted by the Board of Governors of The University of North Carolina and published in the residency manual of the Board."

PART X. DEPARTMENT OF HEALTH AND HUMAN SERVICES

CHANGE REPORTING DATE OF AGING STUDY COMMISSION

SECTION 10.1. The third paragraph of Section 10.40A.(p) of S.L. 2005-276 reads as rewritten:

"**SECTION 10.40A.(p)**

...

The Department shall submit a progress report to the North Carolina Study Commission on Aging and to the Senate Appropriations Committee on Health and Human Services and to the House of Representatives Subcommittee on Health and Human Services on or before ~~April 1, 2006.~~January 1, 2007.

..."

RATE SETTING FOR CHILD CARING INSTITUTIONS

SECTION 10.2.(a) Section 10.47(b) of S.L. 2005-276 is repealed.

SECTION 10.2.(b) G.S. 110-93.1 is repealed.

SECTION 10.2.(c) G.S. 143B-153(2)d. reads as rewritten:

"**§ 143B-153. Social Services Commission – creation, powers and duties.**

There is hereby created the Social Services Commission of the Department of Health and Human Services with the power and duty to adopt rules and regulations to be followed in the conduct of the State's social service programs with the power and duty to adopt, amend, and rescind rules and regulations under and not inconsistent with the laws of the State necessary to carry out the provisions and purposes of this Article. Provided, however, the Department of Health and Human Services shall have the power and duty to adopt rules and regulations to be followed in the conduct of the State's medical assistance program.

...

(2) The Social Services Commission shall have the power and duty to establish standards and adopt rules and regulations:

...

d. For the payment of State funds to private child-placing agencies as defined in G.S. 131D-10.2(4) and residential child care facilities as defined in G.S. 131D-10.2(13) for care and services provided to children who are in the custody or placement responsibility of a county department of social ~~services; and~~services. The Commission shall establish standardized rates for child caring institutions in this State, which rates shall be updated annually on July 1. Rate-setting recommendations provided by the Office of the State Auditor shall be incorporated into the Department of Social Services' rate-setting methodology; and

...

...."

SECTION 10.2.(d) The effective date for establishing standardized rates for child caring institutions in this State, as enacted in subsection (c) of this section, shall be July 1, 2007.

MEDICAID

SECTION 10.3. Section 10.11 of S.L. 2005-276 reads as rewritten:

"SECTION 10.11.(a) Use of Funds, Allocation of Costs, Other Authorizations.

(1) Use of Funds. – Funds appropriated in this act for services provided in accordance with Title XIX of the Social Security Act (Medicaid) are for both the categorically needy and the medically needy.

(2) Allocation of Nonfederal Cost of Medicaid. – The State shall pay eighty-five percent (85%); the county shall pay fifteen percent (15%) of the nonfederal costs of all applicable services listed in this section. In addition, the State shall pay eighty-five percent (85%); the county shall pay fifteen percent (15%) of the federal Medicare Part D clawback payments under the Medicare Modernization Act of 2004.

(3) Funds for Development and Acquisition of Equipment and Software. – If first approved by the Office of State Budget and Management, the Division of Medical Assistance, Department of Health and Human Services, may use funds that are identified to support the cost of development and acquisition of equipment and software through contractual means to improve and enhance information systems that provide management information and claims processing. The Department of Health and Human Services shall identify adequate funds to support the implementation and first year's operational costs that exceed the currently allocated funds for the new contract for the fiscal agent for the Medicaid Management Information System.

(4) Reports. – Unless otherwise provided, whenever the Department of Health and Human Services is required by this section to report to the General Assembly, the report shall be submitted to the House of Representatives Appropriations Subcommittee for Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division of the Legislative Services Office. Reports shall be submitted on the date provided in the reporting requirement.

SECTION 10.11.(b) Policy. –

(1) Volume purchase plans and single source procurement. – The Department of Health and Human Services, Division of Medical Assistance, may, subject to the approval of a change in the State

Medicaid Plan, contract for services, medical equipment, supplies, and appliances by implementation of volume purchase plans, single source procurement, or other contracting processes in order to improve cost containment.

(2) Cost-containment programs. – The Department of Health and Human Services, Division of Medical Assistance, may undertake cost-containment programs, including contracting for services, preadmissions to hospitals, and prior approval for certain outpatient surgeries before they may be performed in an inpatient setting.

(3) Fraud and abuse. –

a. The Division of Medical Assistance, Department of Health and Human Services, may provide incentives to counties that successfully recover fraudulently spent Medicaid funds by sharing State savings with counties responsible for the recovery of the fraudulently spent funds.

b. For the purposes of investigating and reducing client fraud and abuse, the Department of Health and Human Services, Division of Medical Assistance, shall, unless prohibited by federal law, include in the Medicaid enrollment process the requirement that the applicant for Medicaid consent to or authorize in writing the release of the applicant's medical records for the three years immediately preceding the application for Medicaid benefits. The Department shall obtain and use information from the applicant's medical records in a manner and form that complies with the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), P.L. 104-191, as amended, and that protects the privacy of the information as required by other applicable federal or State law. In addition to fraud and abuse detection, the Department may require the applicant's consent for other purposes permitted by HIPAA and required or authorized by other applicable federal or State law.

(4) Medical policy. –

Unless required for compliance with federal law, the Department shall not change medical policy affecting the amount, sufficiency, duration, and scope of health care services and who may provide services until the Division of Medical Assistance has prepared a five-year fiscal analysis documenting the increased cost of the proposed change in medical policy and submitted it for Departmental review. If the fiscal impact indicated by the fiscal analysis for any proposed medical policy change exceeds three million dollars ($3,000,000) in total requirements for a given fiscal year, then the Department shall submit the proposed policy change with the fiscal analysis to the Office of State Budget and Management and the Fiscal Research Division. The Department shall not implement any proposed medical policy change exceeding three million dollars ($3,000,000) in total requirements for a given fiscal year unless the source of State funding is identified and approved by the Office of State Budget and Management. The Department shall provide the Office of State Budget and Management and the Fiscal Research Division a quarterly report itemizing all medical policy changes with total requirements of less than three million dollars ($3,000,000).

SECTION 10.11.(c) Eligibility. – Eligibility for Medicaid shall be determined in accordance with the following:

(1) Medicaid and Work First Family Assistance, Income Eligibility Standards. – The maximum net family annual income eligibility

standards for Medicaid and Work First Family Assistance and the Standard of Need for Work First Family Assistance shall be as follows:

Categorically Needy-WFFA*		Medically Needy Families and Children	
Family Size	Standard Of Need	Income Level	AA,AB,AD*
1	$4,344	$2,172	$2,900
2	5,664	2,832	3,900
3	6,528	3,264	4,400
4	7,128	3,564	4,800
5	7,776	3,888	5,200
6	8,376	4,188	5,600
7	8,952	4,476	6,000
8	9,256	4,680	6,300

*Work First Family Assistance (WFFA); Aid to the Aged (AA); Aid to the Blind (AB); and Aid to the Disabled (AD).

The payment level for Work First Family Assistance shall be fifty percent (50%) of the standard of need.

These standards may be changed with the approval of the Director of the Budget with the advice of the Advisory Budget Commission.

(2) The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to all elderly, blind, and disabled people who have incomes equal to or less than one hundred percent (100%) of the federal poverty guidelines, as revised each April 1.

(3) The Department of Health and Human Services shall provide Medicaid to 19 and 20-year-olds in accordance with federal rules and regulations.

(4) Pregnant women and children. – The Department of Health and Human Services shall provide coverage to pregnant women and to children according to the following schedule:

a. Pregnant women with incomes equal to or less than one hundred eighty-five percent (185%) of the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits.

b. Effective January 1, 2006, infants under the age of one with family incomes equal to or less than two hundred percent (200%) of the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits.

c. Effective January 1, 2006, children aged one through five with family incomes equal to or less than two hundred percent (200%) of the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits.

d. Children aged six through 18 with family incomes equal to or less than the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits.

e. The Department of Health and Human Services shall provide Medicaid coverage for adoptive children with special or rehabilitative needs regardless of the adoptive family's income.

Services to pregnant women eligible under this subsection continue throughout the pregnancy but include only those related to pregnancy and to those other conditions determined by the Department as

conditions that may complicate pregnancy. In order to reduce county administrative costs and to expedite the provision of medical services to pregnant women, to infants, and to children described in subdivisions (3) and (4) of this subsection, no resources test shall be applied.

(5) The Department of Health and Human Services shall provide Medicaid coverage for family planning services to men and women of childbearing age with family incomes equal to or less than one hundred eight-five percent (185%) of the federal poverty level.

(6) ICF and ICF/MR Work Incentive Allowances. – The Department of Health and Human Services may provide an incentive allowance to Medicaid-eligible recipients of ICF and ICF/MR services, who are regularly engaged in work activities as part of their developmental plan, and for whom retention of additional income contributes to their achievement of independence. The State funds required to match the federal funds that are required by these allowances shall be provided from savings within the Medicaid budget or from other unbudgeted funds available to the Department. The incentive allowances may be as follows:

Monthly Net Wages	**Monthly Incentive Allowance**
$1.00 to $100.99	Up to $50.00
$101.00 to $200.99	$80.00
$201.00 to $300.99	$130.00
$301.00 and greater	$212.00

(7) Medicaid enrollment of categorically needy families with children shall be continuous for one year without regard to changes in income or assets.

(8) For all Medicaid eligibility classifications for which the federal poverty level is used as an income limit for eligibility determination, the income limits will be updated each April 1 immediately following publication of federal poverty guidelines.

(9) When implementing the Supplemental Security Income (SSI) method for considering equity value of income producing property, the Department shall, to the maximum extent possible, employ procedures to mitigate the hardship to Medicaid enrollees occurring from application of the SSI method.

SECTION 10.11.(d) Services and Payment Bases. – Funds appropriated for Medicaid services shall be expended in accordance with the following schedule of services and payment bases. All services and payments are subject to the language at the end of this subsection. This subsection is divided into services that are mandated by federal law, and those that are optional under federal law. Unless otherwise provided, services and payment bases will be as prescribed in the State Plan as established by the Department of Health and Human Services and may be changed with the approval of the Director of the Budget.

Services and payment bases – Mandatory

(1) Hospital inpatient.

(2) Hospital outpatient. – Eighty percent (80%) of allowable costs or a prospective reimbursement plan as established by the Department of Health and Human Services.

(3) Nursing facilities. – Nursing facilities providing services to Medicaid recipients who also qualify for Medicare must be enrolled in the Medicare program as a condition of participation in the Medicaid program. State facilities are not subject to the requirement to enroll in the Medicare program. Residents of nursing facilities who are eligible for Medicare coverage of nursing facility services must be placed in a

Medicare-certified bed. Medicaid shall cover facility services only after the appropriate services have been billed to Medicare. The Division of Medical Assistance shall allow nursing facility providers sufficient time from the effective date of this act to certify additional Medicare beds if necessary. In determining the date that the requirements of this subdivision become effective, the Division of Medical Assistance shall consider the regulations governing certification of Medicare beds and the length of time required for this process to be completed.

(4) Physicians, certified nurse midwife services, nurse practitioners. – Fee schedules as development by the Department of Health and Human Services.

(5) Community Alternative Program, EPSDT Screens. – Payments in accordance with rate schedule developed by the Department of Health and Human Services.

(6) Home health and related services, durable medical equipment. – Payments according to reimbursement plans developed by the Department of Health and Human Services.

(7) Hearing aids. – Wholesale cost plus dispensing fee to provider.

(8) Rural health clinical services. – Provider-based, reasonable cost; non-provider-based, single–cost reimbursement rate per clinic visit.

(9) Family planning. – Negotiated rate for local health departments. For other providers see specific services, e.g. hospitals, physicians.

(10) Independent laboratory and X-ray services. – Uniform fee schedules as developed by the Department of Health and Human Services.

(11) Ambulatory surgical centers.

Services and payment bases – Optional

(12) Private duty nursing, clinic services, prepaid health plans.

(13) Intermediate care facilities for the mentally retarded.

(14) Chiropractors, podiatrists, optometrists, dentists.

(15) Limitations on Dental Coverage. – Dental services shall be provided on a restricted basis in accordance with criteria adopted by the Department to implement this subsection.

(16) Medicare Buy-In. – Social Security Administration premium.

(17) Ambulance services. – Uniform fee schedules as developed by the Department of Health and Human Services. Public ambulance providers will be reimbursed at cost.

(18) Optical supplies. – Payment for materials is made to a contractor in accordance with 42 C.F.R. § 431.54(d). Fees paid to dispensing providers are negotiated fees established by the State agency based on industry charges.

(19) Medicare crossover claims. – The Department shall apply Medicaid medical policy to Medicare claims for dually eligible recipients. The Department shall pay an amount up to the actual coinsurance or deductible or both, in accordance with the State Plan, as approved by the Department of Health and Human Services.

(20) Physical therapy and speech therapy. – Services limited to EPSDT-eligible children. Payments are to be made only to qualified providers at rates negotiated by the Department of Health and Human Services. Physical therapy (including occupational therapy) and speech therapy services are subject to prior approval and utilization review.

(21) Personal care services.

(22) Case management services. – Reimbursement in accordance with the availability of funds to be transferred within the Department of Health and Human Services.

(23) Hospice.

(24) Medically necessary prosthetics or orthotics. – In order to be eligible for reimbursement, providers must be Board certified. Medically necessary prosthetics and orthotics are subject to prior approval and utilization review.

(25) Health insurance premiums.

(26) Medical care/other remedial care. – Services not covered elsewhere in this section include related services in schools; health professional services provided outside the clinic setting to meet maternal and infant health goals; and services to meet federal EPSDT mandates.

(27) Pregnancy-related services. – Covered services for pregnant women shall include nutritional counseling, psychosocial counseling, and predelivery and postpartum home visits by maternity care coordinators and public health nurses.

(28) Drugs. – Reimbursements. Reimbursements shall be available for prescription drugs as allowed by federal regulations plus a professional services fee per month, excluding refills for the same drug or generic equivalent during the same month. Payments for drugs are subject to the provisions of this subdivision or in accordance with the State Plan adopted by the Department of Health and Human Services, consistent with federal reimbursement regulations. Payment of the professional services fee shall be made in accordance with the State Plan adopted by the Department of Health and Human Services, consistent with federal reimbursement regulations. The professional services fee shall be five dollars and sixty cents ($5.60) per prescription for generic drugs and four dollars ($4.00) per prescription for brand-name drugs. Adjustments to the professional services fee shall be established by the General Assembly. In addition to the professional services fee, the Department may pay an enhanced fee for pharmacy services.

Limitations on quantity. – The Department of Health and Human Services may establish authorizations, limitations, and reviews for specific drugs, drug classes, brands, or quantities in order to manage effectively the Medicaid pharmacy program, except that the Department shall not impose limitations on brand-name medications for which there is a generic equivalent in cases where the prescriber has determined, at the time the drug is prescribed, that the brand-name drug is medically necessary and has written on the prescription order the phrase "medically necessary". In addition to the entities listed in subsection (a) of this section, the Department shall report to the Joint Legislative Commission on Governmental Operations on authorizations, limitations, and reviews established under this subparagraph, including limitations on monthly brand-name and generic prescriptions as well as restrictions on the total number of medications. The Department shall submit the report not later than May 1, 2006.

Dispensing of generic drugs. – Notwithstanding G.S. 90-85.27 through G.S. 90-85.31, or any other law to the contrary, under the Medical Assistance Program (Title XIX of the Social Security Act), and except as otherwise provided in this subsection for atypical antipsychotic drugs and drugs listed in the narrow therapeutic index, a prescription order for a drug designated by a trade or brand name shall be considered to be an order for the drug by its established or generic name, except when the prescriber has determined, at the time the drug is prescribed, that the brand-name drug is medically necessary and has written on the prescription order the phrase "medically necessary". An

initial prescription order for an atypical antipsychotic drug or a drug listed in the narrow therapeutic drug index that does not contain the phrase "medically necessary" shall be considered an order for the drug by its established or generic name, except that a pharmacy shall not substitute a generic or established name prescription drug for subsequent brand or trade name prescription orders of the same prescription drug without explicit oral or written approval of the prescriber given at the time the order is filled. Generic drugs shall be dispensed at a lower cost to the Medical Assistance Program rather than trade or brand-name drugs. As used in this subsection, "brand name" means the proprietary name the manufacturer places upon a drug product or on its container, label, or wrapping at the time of packaging; and "established name" has the same meaning as in section 502(e)(3) of the Federal Food, Drug, and Cosmetic Act as amended, 21 U.S.C. § 352(e)(3).

Prior authorization. – The Department of Health and Human Services shall not impose prior authorization requirements or other restrictions under the State Medical Assistance Program on medications prescribed for Medicaid recipients for the treatment of: (i) mental illness, including, but not limited to, medications for schizophrenia, bipolar disorder, and major depressive disorder, or (ii) HIV/AIDS.

(29) Other mental health services. – Unless otherwise covered by this section, coverage is limited to:

a. Services as defined by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services and approved by the Centers for Medicare and Medicaid Services (CMS) when provided in agencies meeting the requirements of the rules established by the Commission for Mental Health, Developmental Disabilities, and Substance Abuse Services and reimbursement is made in accordance with a State Plan developed by the Department of Health and Human Services not to exceed the upper limits established in federal regulations, and

b. For children eligible for EPSDT services provided by:

1. Licensed or certified psychologists, licensed clinical social workers, certified clinical nurse specialists in psychiatric mental health advanced practice, nurse practitioners certified as clinical nurse specialists in psychiatric mental health advanced practice, licensed psychological associates, licensed professional counselors, licensed marriage and family therapists, certified clinical addictions specialists, and certified clinical supervisors, when Medicaid-eligible children are referred by the Community Care of North Carolina primary care physician, a Medicaid-enrolled psychiatrist, or the area mental health program or local management entity, and

2. Institutional providers of residential services as defined by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services and approved by the Centers for Medicare and Medicaid Services (CMS) for children and Psychiatric Residential Treatment Facility services that meet federal and State requirements as defined by the Department.

c. For Medicaid-eligible adults, services provided by licensed or certified psychologists, licensed clinical social workers, certified clinical nurse specialists in psychiatric mental health advanced practice, and nurse practitioners certified as clinical nurse specialists in psychiatric mental health advanced practice, licensed psychological associates, licensed professional counselors, licensed marriage and family therapists, licensed clinical addictions specialists, and licensed clinical supervisors, Medicaid-eligible adults may be self-referred.

d. Payments made for services rendered in accordance with this subdivision shall be to qualified providers in accordance with approved policies and the State Plan. Nothing in sub-subdivision b. or c. of this subdivision shall be interpreted to modify the scope of practice of any service provider, practitioner, or licensee, nor to modify or attenuate any collaboration or supervision requirement related to the professional activities of any service provider, practitioner, or licensee. Nothing in sub-subdivision b. or c. of this subdivision shall be interpreted to require any private health insurer or health plan to make direct third-party reimbursements or payments to any service provider, practitioner, or licensee.

e. The Department of Health and Human Services shall not enroll licensed psychological associates, licensed professional counselors, licensed marriage and family therapists, licensed clinical addiction specialists, and licensed clinical supervisors until all of the following conditions have been met:

1. The fiscal impact of payments to these qualified providers has been projected;
2. Funding for any projected requirements in excess of budgeted Division of Medical Assistance funding has been identified from within State funds appropriated to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to support area mental health programs or county programs, or identified from other sources; and
3. Approval has been obtained from the Office of State Budget and Management to transfer these State or other source funds from the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to the Division of Medical Assistance. Upon approval and implementation, the Department of Health and Human Services shall, on a quarterly basis, provide a status report to the Office of State Budget and Management and the Fiscal Research Division.

Notwithstanding G.S. 150B-21.1(a), the Department of Health and Human Services may adopt temporary rules in accordance with Chapter 150B of the General Statutes further defining the qualifications of providers and referral procedures in order to implement this subdivision. Coverage policy for services defined by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services under sub-subdivisions a. and b.2 of this subdivision shall be established by the Division of Medical Assistance.

SECTION 10.11.(e) Limitations on payments. –

(1) Payment is limited to Medicaid-enrolled providers that purchase a performance bond in an amount not to exceed one hundred thousand dollars ($100,000) naming as beneficiary the Department of Health and Human Services, Division of Medical Assistance, or provide to the Department a validly executed letter of credit or other financial instrument issued by a financial institution or agency honoring a demand for payment in an equivalent amount. The Department may waive or limit the requirements of this paragraph for one or more classes of Medicaid-enrolled providers based on the provider's dollar amount of monthly billings to Medicaid or the length of time the provider has been licensed in this State to provide services. In waiving or limiting requirements of this paragraph, the Department shall take into consideration the potential fiscal impact of the waiver or limitation on the State Medicaid Program. The Department may adopt temporary rules in accordance with G.S. 150B-21.1 as necessary to implement this provision.

(2) Reimbursement is available and may be limited in accordance with federal EPSDT requirements to any one or combination of the following: physicians, clinics, hospital outpatient, optometrists, chiropractors, and podiatrists. Prenatal services, all EPSDT children, emergency rooms, and mental health services subject to independent utilization review are exempt from the visit limitations contained in this paragraph. Exceptions may be authorized by the Department of Health and Human Services where the life of the patient would be threatened without such additional care.

SECTION 10.11.(f) Exceptions and limitations on services; authorization of co-payments and other services.

(1) Exceptions to Service Limitations, Eligibility Requirements, and Payments. – Service limitations, eligibility requirements, and payments bases in this section may be waived by the Department of Health and Human Services, with the approval of the Director of the Budget, to allow the Department to carry out pilot programs for prepaid health plans, contracting for services, managed care plans, or community-based services programs in accordance with plans approved by the United States Department of Health and Human Services or when the Department determines that such a waiver will result in a reduction in the total Medicaid costs for the recipient. The Department of Health and Human Services may proceed with planning and development work on the Program of All-Inclusive Care for the Elderly.

(2) Co-Payment for Medicaid Services. – The Department of Health and Human Services may establish co-payments up to the maximum permitted by federal law and regulation and required by this subsection in order to achieve reductions in the budget in fiscal years 2005-2006 and 2006-2007.

(3) The Department of Health and Human Services shall provide Medicaid coverage for family planning services to men and women of childbearing age with family incomes equal to or less than one hundred eighty-five percent (185%) of the federal poverty level. Of the funds appropriated in this act to the Division of Medical Assistance, the sum of seven hundred fifty thousand dollars ($750,000) for the 2005-2006 fiscal year shall be used to provide the State-match for the family planning demonstration waiver approved by the federal government.

SECTION 10.11.(g) Rules, Reports, and Other Matters. –

(1) Rules. – The Department of Health and Human Services may adopt temporary or emergency rules according to the procedures established in G.S. 150B-21.1 and G.S. 150B-21.1A when it finds that these rules are necessary to maximize receipt of federal funds within existing State appropriations, to reduce Medicaid expenditures, and to reduce fraud and abuse. Prior to the filing of these temporary or emergency rules with the Rules Review Commission and the Office of Administrative Hearings, the Department shall consult with the Office of State Budget and Management on the possible fiscal impact of the temporary or emergency rule and its effect on State appropriations and local governments.

(2) Changes to Medicaid program; reports. – The Department shall report on any change it anticipates making in the Medicaid program that impacts the type or level of service, reimbursement methods, or waivers, any of which require a change in the State Plan or other approval by the Centers for Medicare and Medicaid Services (CMS). The reports shall be provided at the same time they are submitted to CMS for approval. In addition to the entities listed in subsection (a)(4) of this section, the report shall be submitted to the Joint Legislative Health Care Oversight Committee."

~~**SECTION 10.11.(a)** Funds appropriated in this act for services provided in accordance with Title XIX of the Social Security Act (Medicaid) are for both the categorically needy and the medically needy. Funds appropriated for these services shall be expended in accordance with the following schedule of services and payment bases. All services and payments are subject ot the language at the end of this subsection.~~

~~Services and payment bases:~~

~~(1) Hospital inpatient. Payment for hospital inpatient services will be prescribed in the State Plan as established by the Department of Health and Human Services.~~

~~(2) Hospital outpatient. Eighty percent (80%) of allowable costs or a prospective reimbursement plan as established by the Department of Health and Human Services.~~

~~(3) Nursing facilities. Payment for nursing facility services will be prescribed in the State Plan as established by the Department of Health and Human Services. Nursing facilities providing services to Medicaid recipients who also qualify for Medicare must be enrolled in the Medicare program as a condition of participation in the Medicaid program. State facilities are not subject to the requirement to enroll in the Medicare program. Residents of nursing facilities who are eligible for Medicare coverage of nursing facility services must be placed in a Medicare certified bed. Medicaid shall cover facility services only after the appropriate services have been billed to Medicare. The Division of Medical Assistance shall allow nursing facility providers sufficient time from the effective date of this act to certify additional Medicare beds if necessary. In determining the date that the requirements of this subdivision become effective, the Division of Medical Assistance shall consider the regulations governing certification of Medicare beds and the length of time required for this process to be completed.~~

~~(4) Intermediate care facilities for the mentally retarded. As prescribed in the State Plan as established by the Department of Health and Human Services.~~

~~(5) Drugs. Reimbursements. Reimbursements shall be available for prescription drugs as allowed by federal regulations plus a professional~~

~~services fee per month, excluding refills for the same drug or generic equivalent during the same month. Payments for drugs are subject to the provisions of this subdivision or in accordance with the State Plan adopted by the Department of Health and Human Services, consistent with federal reimbursement regulations. Payment of the professional services fee shall be made in accordance with the State Plan adopted by the Department of Health and Human Services, consistent with federal reimbursement regulations. The professional services fee shall be five dollars and sixty cents ($5.60) per prescription for generic drugs and four dollars ($4.00) per prescription for brand name drugs. Adjustments to the professional services fee shall be established by the General Assembly. In addition to the professional services fee, the Department may pay an enhanced fee for pharmacy services.~~

~~Limitations on quantity. The Department of Health and Human Services may establish authorizations, limitations, and reviews for specific drugs, drug classes, brands, or quantities in order to manage effectively the Medicaid pharmacy program, except that the Department shall not impose limitations on brand name medications for which there is a generic equivalent in cases where the prescriber has determined, at the time the drug is prescribed, that the brand name drug is medically necessary and has written on the prescription order the phrase "medically necessary". The Department shall report 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 on authorizations, limitations, and reviews established under this subparagraph, including limitations on monthly brand name and generic prescriptions as well as restrictions on the total number of medications. The Department shall submit the report not later than May 1, 2006.~~

~~Dispensing of generic drugs. Notwithstanding G.S. 90-85.27 through G.S. 90-85.31, or any other law to the contrary, under the Medical Assistance Program (Title XIX of the Social Security Act), and except as otherwise provided in this subsection for atypical antipsychotic drugs and drugs listed in the narrow therapeutic index, a prescription order for a drug designated by a trade or brand name shall be considered to be an order for the drug by its established or generic name, except when the prescriber has determined, at the time the drug is prescribed, that the brand name drug is medically necessary and has written on the prescription order the phrase "medically necessary". An initial prescription order for an atypical antipsychotic drug or a drug listed in the narrow therapeutic drug index that does not contain the phrase "medically necessary" shall be considered an order for the drug by its established or generic name, except that a pharmacy shall not substitute a generic or established name prescription drug for subsequent brand or trade name prescription orders of the same prescription drug without explicit oral or written approval of the prescriber given at the time the order is filled. Generic drugs shall be dispensed at a lower cost to the Medical Assistance Program rather than trade or brand name drugs. As used in this subsection, "brand name" means the proprietary name the manufacturer places upon a drug product or on its container, label, or wrapping at the time of packaging; and "established name" has the same meaning as in section 502(e)(3) of the Federal Food, Drug, and Cosmetic Act as amended, 21 U.S.C. § 352(e)(3).~~

~~Prior authorization. — The Department of Health and Human Services shall not impose prior authorization requirements or other restrictions under the State Medical Assistance Program on medications prescribed for Medicaid recipients for the treatment of: (i) mental illness, including, but not limited to, medications for schizophrenia, bipolar disorder, and major depressive disorder, or (ii) HIV/AIDS.~~

~~(6) Physicians, chiropractors, podiatrists, optometrists, dentists, certified nurse midwife services, nurse practitioners. — Fee schedules as developed by the Department of Health and Human Services. Payments for dental services are subject to the provisions of subsection (g) of this section.~~

~~(7) Community Alternative Program, EPSDT screens. — Payment to be made in accordance with the rate schedule developed by the Department of Health and Human Services.~~

~~(8) Home health and related services, private duty nursing, clinic services, prepaid health plans, durable medical equipment. — Payment to be made according to reimbursement plans developed by the Department of Health and Human Services.~~

~~(9) Medicare Buy-In. — Social Security Administration premium.~~

~~(10) Ambulance services. — Uniform fee schedules as developed by the Department of Health and Human Services. Public ambulance providers will be reimbursed at cost.~~

~~(11) Hearing aids. — Wholesale cost plus a dispensing fee to the provider.~~

~~(12) Rural health clinic services. — Provider-based, reasonable cost; nonprovider-based, single-cost reimbursement rate per clinic visit.~~

~~(13) Family planning. — Negotiated rate for local health departments. For other providers, see specific services, for instance, hospitals, physicians.~~

~~(14) Independent laboratory and X-ray services. — Uniform fee schedules as developed by the Department of Health and Human Services.~~

~~(15) Optical supplies. — Payment for materials is made to a contractor in accordance with 42 C.F.R. § 431.54(d). Fees paid to dispensing providers are negotiated fees established by the State agency based on industry charges.~~

~~(16) Ambulatory surgical centers. — Payment as prescribed in the reimbursement plan established by the Department of Health and Human Services.~~

~~(17) Medicare crossover claims. — By not later than October 1, 2005, the Department shall apply Medicaid medical policy to Medicare claims for dually eligible recipients. The Department shall pay an amount up to the actual coinsurance or deductible or both, in accordance with the State Plan, as approved by the Department of Health and Human Services.~~

~~(18) Physical therapy and speech therapy. — Services limited to EPSDT eligible children. Payments are to be made only to qualified providers at rates negotiated by the Department of Health and Human Services. Physical therapy (including occupational therapy) and speech therapy services are subject to prior approval and utilization review.~~

~~(19) Personal care services. — Payment in accordance with the State Plan approved by the Department of Health and Human Services.~~

~~(20) Case management services. — Reimbursement in accordance with the availability of funds to be transferred within the Department of Health and Human Services.~~

~~(21) Hospice. — Services may be provided in accordance with the State Plan developed by the Department of Health and Human Services.~~

~~(22) Other mental health services. — Unless otherwise covered by this section, coverage is limited to:~~

~~a. Services as defined by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services and approved by the Centers for Medicare and Medicaid Services (CMS) when provided in agencies meeting the requirements of the rules established by the Commission for Mental Health, Developmental Disabilities, and Substance Abuse Services and reimbursement is made in accordance with a State Plan developed by the Department of Health and Human Services not to exceed the upper limits established in federal regulations, and~~

~~b. For children eligible for EPSDT services provided by:~~

~~1. Licensed or certified psychologists, licensed clinical social workers, certified clinical nurse specialists in psychiatric mental health advanced practice, nurse practitioners certified as clinical nurse specialists in psychiatric mental health advanced practice, licensed psychological associates, licensed professional counselors, licensed marriage and family therapists, certified clinical addictions specialists, and certified clinical supervisors, when Medicaid-eligible children are referred by the Community Care of North Carolina primary care physician, a Medicaid-enrolled psychiatrist, or the area mental health program or local management entity, and~~

~~2. Institutional providers of residential services as defined by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services and approved by the Centers for Medicare and Medicaid Services (CMS) for children and Psychiatric Residential Treatment Facility services that meet federal and State requirements as defined by the Department.~~

~~c. For Medicaid-eligible adults, services provided by licensed or certified psychologists, licensed clinical social workers, certified clinical nurse specialists in psychiatric mental health advanced practice, and nurse practitioners certified as clinical nurse specialists in psychiatric mental health advanced practice, licensed psychological associates, licensed professional counselors, licensed marriage and family therapists, certified clinical addictions specialists, and certified clinical supervisors, Medicaid-eligible adults may be self-referred.~~

~~d. Payments made for services rendered in accordance with this subdivision shall be to qualified providers in accordance with approved policies and the State Plan. Nothing in sub-subdivision b. or c. of this subdivision shall be interpreted to modify the scope of practice of any service provider, practitioner, or licensee, nor to modify or attenuate any collaboration or supervision requirement related to the professional activities of any service provider, practitioner, or licensee. Nothing in sub-subdivision b. or c. of this subdivision shall be interpreted to require any private health insurer or~~

health plan to make direct third-party reimbursements or payments to any service provider, practitioner, or licensee.

e. The Department of Health and Human Services shall not enroll licensed psychological associates, licensed professional counselors, licensed marriage and family therapists, certified clinical addiction specialists, and certified clinical supervisors until all of the following conditions have been met:

1. The fiscal impact of payments to these qualified providers has been projected;

2. Funding for any projected requirements in excess of budgeted Division of Medical Assistance funding has been identified from within State funds appropriated to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to support area mental health programs or county programs, or identified from other sources; and

3. Approval has been obtained from the Office of State Budget and Management to transfer these State or other source funds from the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to the Division of Medical Assistance. Upon approval and implementation, the Department of Health and Human Services shall, on a quarterly basis, provide a status report to the Office of State Budget and Management and the Fiscal Research Division.

Notwithstanding G.S. 150B-21.1(a), the Department of Health and Human Services may adopt temporary rules in accordance with Chapter 150B of the General Statutes further defining the qualifications of providers and referral procedures in order to implement this subdivision. Coverage policy for services defined by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services under sub-subdivisions a. and b.2 of this subdivision shall be established by the Division of Medical Assistance.

(23) Medically necessary prosthetics or orthotics. – Reimbursement in accordance with the State Plan approved by the Department of Health and Human Services, except that in order to be eligible for reimbursement, providers must be Board certified not later than July 1, 2005. Medically necessary prosthetics and orthotics are subject to prior approval and utilization review.

(24) Health insurance premiums. – Payments to be made in accordance with the State Plan adopted by the Department of Health and Human Services consistent with federal regulations.

(25) Medical care/other remedial care. – Services not covered elsewhere in this section include related services in schools; health professional services provided outside the clinic setting to meet maternal and infant health goals; and services to meet federal EPSDT mandates. Services addressed by this subdivision are limited to those prescribed in the State Plan as established by the Department of Health and Human Services.

(26) Pregnancy-related services. – Covered services for pregnant women shall include nutritional counseling, psychosocial counseling, and predelivery and postpartum home visits by maternity care coordinators and public health nurses.

~~Services and payment bases may be changed with the approval of the Director of the Budget.~~

~~Payment is limited to Medicaid enrolled providers that purchase a performance bond in an amount not to exceed one hundred thousand dollars ($100,000) naming as beneficiary the Department of Health and Human Services, Division of Medical Assistance, or provide to the Department a validly executed letter of credit or other financial instrument issued by a financial institution or agency honoring a demand for payment in an equivalent amount. The Department may waive or limit the requirements of this paragraph for one or more classes of Medicaid enrolled providers based on the provider's dollar amount of monthly billings to Medicaid or the length of time the provider has been licensed in this State to provide services. In waiving or limiting requirements of this paragraph, the Department shall take into consideration the potential fiscal impact of the waiver or limitation on the State Medicaid Program. The Department may adopt temporary rules in accordance with G.S. 150B-21.1 as necessary to implement this provision.~~

~~Reimbursement is available for up to 24 visits per recipient per year to any one or combination of the following: physicians, clinics, hospital outpatient, optometrists, chiropractors, and podiatrists. Prenatal services, all EPSDT children, emergency rooms, and mental health services subject to independent utilization review are exempt from the visit limitations contained in this paragraph. Exceptions may be authorized by the Department of Health and Human Services where the life of the patient would be threatened without such additional care.~~

~~**SECTION 10.11.(b)** Allocation of Nonfederal Cost of Medicaid. – The State shall pay eighty five percent (85%); the county shall pay fifteen percent (15%) of the nonfederal costs of all applicable services listed in this section. In addition, the State shall pay eighty five percent (85%); the county shall pay fifteen percent (15%) of the federal Medicare Part D clawback payments under the Medicare Modernization Act of 2004.~~

~~**SECTION 10.11.(c)** Co-Payment for Medicaid Services. – The Department of Health and Human Services may establish co-payments up to the maximum permitted by federal law and regulation and required by this subsection in order to achieve reductions in the budget in fiscal years 2005-2006 and 2006-2007.~~

~~**SECTION 10.11.(d)** Medicaid and Work First Family Assistance, Income Eligibility Standards. – The maximum net family annual income eligibility standards for Medicaid and Work First Family Assistance and the Standard of Need for Work First Family Assistance shall be as follows:~~

	~~Categorically Needy~~	~~Medically Needy~~	
	~~WFFA*~~		
~~Family Size~~	~~Standard of Need~~	~~Families and Children Income Level~~	~~AA, AB, AD*~~
~~1~~	~~$4,344~~	~~$2,172~~	~~$2,900~~
~~2~~	~~5,664~~	~~2,832~~	~~3,800~~
~~3~~	~~6,528~~	~~3,264~~	~~4,400~~
~~4~~	~~7,128~~	~~3,564~~	~~4,800~~
~~5~~	~~7,776~~	~~3,888~~	~~5,200~~
~~6~~	~~8,376~~	~~4,188~~	~~5,600~~
~~7~~	~~8,952~~	~~4,476~~	~~6,000~~
~~8~~	~~9,256~~	~~4,680~~	~~6,300~~

~~*Work First Family Assistance (WFFA); Aid to the Aged (AA); Aid to the Blind (AB); and Aid to the Disabled (AD).~~

~~The payment level for Work First Family Assistance shall be fifty percent (50%) of the standard of need.~~

These standards may be changed with the approval of the Director of the Budget with the advice of the Advisory Budget Commission.

SECTION 10.11.(e) The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to all elderly, blind, and disabled people who have incomes equal to or less than one hundred percent (100%) of the federal poverty guidelines, as revised each April 1. This subsection expires December 31, 2005.

SECTION 10.11.(f) ICF and ICF/MR Work Incentive Allowances. The Department of Health and Human Services may provide an incentive allowance to Medicaid-eligible recipients of ICF and ICF/MR facilities who are regularly engaged in work activities as part of their developmental plan and for whom retention of additional income contributes to their achievement of independence. The State funds required to match the federal funds that are required by these allowances shall be provided from savings within the Medicaid budget or from other unbudgeted funds available to the Department. The incentive allowances may be as follows:

Monthly Net Wages	Monthly Incentive Allowance
$1.00 to $100.99	Up to $50.00
$101.00 to $200.99	$80.00
$201.00 to $300.99	$130.00
$301.00 and greater	$212.00.

SECTION 10.11.(g) Dental Coverage Limits. Dental services shall be provided on a restricted basis in accordance with rules adopted by the Department to implement this subsection.

SECTION 10.11.(h) Exceptions to Service Limitations, Eligibility Requirements, and Payments. Service limitations, eligibility requirements, and payments bases in this section may be waived by the Department of Health and Human Services, with the approval of the Director of the Budget, to allow the Department to carry out pilot programs for prepaid health plans, contracting for services, managed care plans, or community-based services programs in accordance with plans approved by the United States Department of Health and Human Services or when the Department determines that such a waiver will result in a reduction in the total Medicaid costs for the recipient. The Department of Health and Human Services may proceed with planning and development work on the Program of All-Inclusive Care for the Elderly.

SECTION 10.11.(i) Volume Purchase Plans and Single Source Procurement. The Department of Health and Human Services, Division of Medical Assistance, may, subject to the approval of a change in the State Medicaid Plan, contract for services, medical equipment, supplies, and appliances by implementation of volume purchase plans, single source procurement, or other contracting processes in order to improve cost containment.

SECTION 10.11.(j) Cost-Containment Programs. The Department of Health and Human Services, Division of Medical Assistance, may undertake cost-containment programs, including contracting for services, preadmissions to hospitals, and prior approval for certain outpatient surgeries before they may be performed in an inpatient setting.

SECTION 10.11.(k) For all Medicaid eligibility classifications for which the federal poverty level is used as an income limit for eligibility determination, the income limits will be updated each April 1 immediately following publication of federal poverty guidelines.

SECTION 10.11.(l) The Department of Health and Human Services shall provide Medicaid to 19-, 20-, and 21-year-olds in accordance with federal rules and regulations.

SECTION 10.11.(m) The Department of Health and Human Services shall provide coverage to pregnant women and to children according to the following schedule:

~~(1) Pregnant women with incomes equal to or less than one hundred eighty-five percent (185%) of the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits.~~

~~(2) Effective until January 1, 2006, infants under the age of one with family incomes equal to or less than one hundred eighty-five percent (185%) of the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits. Effective January 1, 2006, infants under the age of one with family incomes equal to or less than two hundred percent (200%) of the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits.~~

~~(3) Effective until January 1, 2006, children aged one through five with family incomes equal to or less than one hundred thirty-three percent (133%) of the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits. Effective January 1, 2006, children aged one through five with family incomes equal to or less than two hundred percent (200%) of the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits.~~

~~(4) Children aged six through 18 with family incomes equal to or less than the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits.~~

~~(5) The Department of Health and Human Services shall provide Medicaid coverage for adoptive children with special or rehabilitative needs regardless of the adoptive family's income.~~

~~Services to pregnant women eligible under this subsection continue throughout the pregnancy but include only those related to pregnancy and to those other conditions determined by the Department as conditions that may complicate pregnancy. In order to reduce county administrative costs and to expedite the provision of medical services to pregnant women, to infants, and to children described in subdivisions (3) and (4) of this subsection, no resources test shall be applied.~~

~~**SECTION 10.11.(n)** Medicaid enrollment of categorically needy families with children shall be continuous for one year without regard to changes in income or assets.~~

~~**SECTION 10.11.(o)** The Division of Medical Assistance, Department of Health and Human Services, may provide incentives to counties that successfully recover fraudulently spent Medicaid funds by sharing State savings with counties responsible for the recovery of the fraudulently spent funds.~~

~~**SECTION 10.11.(p)** If first approved by the Office of State Budget and Management, the Division of Medical Assistance, Department of Health and Human Services, may use funds that are identified to support the cost of development and acquisition of equipment and software through contractual means to improve and enhance information systems that provide management information and claims processing. The Department of Health and Human Services shall identify adequate funds to support the implementation and first year's operational costs that exceed the currently allocated funds for the new contract for the fiscal agent for the Medicaid Management Information System.~~

~~**SECTION 10.11.(q)** The Department of Health and Human Services may adopt temporary or emergency rules according to the procedures established in G.S. 150B-21.1 and G.S. 150B-21.1A when it finds that these rules are necessary to maximize receipt of federal funds within existing State appropriations, to reduce Medicaid expenditures, and to reduce fraud and abuse. Prior to the filing of these temporary or emergency rules with the Rules Review Commission and the Office of Administrative Hearings, the Department shall consult with the Office of State Budget and Management on the possible fiscal impact of the temporary or emergency rule and its effect on State appropriations and local governments.~~

~~**SECTION 10.11.(r)** The Department shall report to the Fiscal Research Division of the Legislative Services Office and to the House of Representatives Appropriations Subcommittee on Health and Human Services and the Senate Appropriations Committee on Health and Human Services or the Joint Legislative Health Care Oversight Committee on any change it anticipates making in the Medicaid program that impacts the type or level of service, reimbursement methods, or waivers, any of which require a change in the State Plan or other approval by the Centers for Medicare and Medicaid Services (CMS). The reports shall be provided at the same time they are submitted to CMS for approval.~~

~~**SECTION 10.11.(s)** The Department of Health and Human Services shall provide Medicaid coverage for family planning services to men and women of childbearing age with family incomes equal to or less than one hundred eighty-five percent (185%) of the federal poverty level. Of the funds appropriated in this act to the Division of Medical Assistance, the sum of seven hundred fifty thousand dollars ($750,000) for the 2005-2006 fiscal year shall be used to provide the State match for the family planning demonstration waiver approved by the federal government.~~

~~**SECTION 10.11.(t)** For the purposes of determining eligibility for Medical Assistance, the Department of Health and Human Services may apply federal transfer of assets policies, as described in Title XIX, section 1917(c) of the Social Security Act, including the attachment of liens, to (i) life estates purchased by or on behalf of the recipient, other than life estates excluded from countable resources under this section, and (ii) to real property excluded as "income producing", tenancy in common, or as nonhomesite property made "income producing" under Title XIX, section 1902(r)(2) of the Social Security Act. The transfer of assets policy shall apply only to an institutionalized individual or the individual's spouse as defined in Title XIX, section 1917(c) of the Social Security Act. The Department shall exclude from countable resources any life estate in real property that is in the recipient's home, is measured by the recipient's life, and is the result of the transfer of a remainder interest.~~

~~Federal transfer of assets policies applied to "income producing" real property under Title XIX, section 1902(r)(2) of the Social Security Act shall become effective not earlier than October 1, 2001. Federal transfer of assets policies and attachment of liens applied to real property excluded as tenancy-in-common, or as nonhomesite property made "income producing" in accordance with this subsection shall become effective not earlier than November 1, 2002. Federal transfer of assets policies applied to life estates in accordance with this subsection shall become effective not earlier than October 1, 2005.~~

~~**SECTION 10.11.(u)** When implementing the Supplemental Security Income (SSI) method for considering equity value of income producing property, the Department shall, to the maximum extent possible, employ procedures to mitigate the hardship to Medicaid enrollees occurring from application of the Supplemental Security Income (SSI) method.~~

~~**SECTION 10.11.(v)** Unless required for compliance with federal law, the Department shall not change medical policy affecting the amount, sufficiency, duration, and scope of health care services and who may provide services until the Division of Medical Assistance has prepared a five-year fiscal analysis documenting the increased cost of the proposed change in medical policy and submitted it for Departmental review. If the fiscal impact indicated by the fiscal analysis for any proposed medical policy change exceeds three million dollars ($3,000,000) in total requirements for a given fiscal year, then the Department shall submit the proposed policy change with the fiscal analysis to the Office of State Budget and Management and the Fiscal Research Division. The Department shall not implement any proposed medical policy change exceeding three million dollars ($3,000,000) in total requirements for a given fiscal year unless the source of State funding is identified and approved by the Office of State Budget and Management. The Department shall provide the Office of State Budget and~~

~~Management and the Fiscal Research Division a quarterly report itemizing all medical policy changes with total requirements of less than three million dollars ($3,000,000).~~

~~**SECTION 10.11.(w)** The Department shall develop, amend, and adopt medical coverage policy in accordance with the following:~~

~~(1) During the development of new medical coverage policy or amendment to existing medical coverage policy, consult with and seek the advice of the Physician Advisory Group of the North Carolina Medical Society and other organizations the Secretary deems appropriate. The Secretary shall also consult with and seek the advice of officials of the professional societies or associations representing providers who are affected by the new medical coverage policy or amendments to existing medical coverage policy.~~

~~(2) At least 45 days prior to the adoption of new or amended medical coverage policy, the Department shall:~~

~~a. Publish the proposed new or amended medical coverage policy on the Department's Web site;~~

~~b. Notify all Medicaid providers of the proposed, new, or amended policy; and~~

~~c. Upon request, provide persons copies of the proposed medical coverage policy.~~

~~(3) During the 45-day period immediately following publication of the proposed new or amended medical coverage policy, accept oral and written comments on the proposed new or amended policy.~~

~~(4) If, following the comment period, the proposed new or amended medical coverage policy is modified, then the Department shall, at least 15 days prior to its adoption:~~

~~a. Notify all Medicaid providers of the proposed policy;~~

~~b. Upon request, provide persons notice of amendments to the proposed policy; and~~

~~c. Accept additional oral or written comments during this 15-day period.~~

~~**SECTION 10.11.(x)** For the purposes of investigating and reducing client fraud and abuse, the Department of Health and Human Services, Division of Medical Assistance, shall, unless prohibited by federal law, include in the Medicaid enrollment process the requirement that the applicant for Medicaid consent to or authorize in writing the release of the applicant's medical records for the three years immediately preceding the application for Medicaid benefits. The Department shall obtain and use information from the applicant's medical records in a manner and form that complies with the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), P.L. 104-191, as amended, and that protects the privacy of the information as required by other applicable federal or State law. In addition to fraud and abuse detection, the Department may require the applicant's consent for other purposes permitted by HIPAA and required or authorized by other applicable federal or State law.~~

~~**SECTION 10.11.(y)** The Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services shall provide an opportunity for interested advocacy organizations to comment on restrictions imposed by the Department of Health and Human Services, Division of Medical Assistance, on the medications prescribed for Medicaid recipients, as authorized under subsection (a)(5) of this section. The Committee may report its findings or recommendations based on comments received to 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 on or before April 30, 2006.~~"

PROCEDURES FOR CHANGES TO DHHS MEDICAL POLICY

SECTION 10.4. Article 2 of Chapter 108A of the General Statutes is amended by adding the following new section to read:

"**§ 108A-54.2. Procedures for changing medical policy.**

The Department shall develop, amend, and adopt medical coverage policy in accordance with the following:

(1) During the development of new medical coverage policy or amendment to existing medical coverage policy, consult with and seek the advice of the Physician Advisory Group of the North Carolina Medical Society and other organizations the Secretary deems appropriate. The Secretary shall also consult with and seek the advice of officials of the professional societies or associations representing providers who are affected by the new medical coverage policy or amendments to existing medical coverage policy.

(2) At least 45 days prior to the adoption of new or amended medical coverage policy, the Department shall:

a. Publish the proposed new or amended medical coverage policy on the Department's Web site;

b. Notify all Medicaid providers of the proposed, new, or amended policy; and

c. Upon request, provide persons copies of the proposed medical coverage policy.

(3) During the 45-day period immediately following publication of the proposed new or amended medical coverage policy, accept oral and written comments on the proposed new or amended policy.

(4) If, following the comment period, the proposed new or amended medical coverage policy is modified, then the Department shall, at least 15 days prior to its adoption:

a. Notify all Medicaid providers of the proposed policy;

b. Upon request, provide persons notice of amendments to the proposed policy; and

c. Accept additional oral or written comments during this 15-day period."

TRANSFER OF ASSETS REWRITE

SECTION 10.5.(a) G.S. 108A-58 is repealed.

SECTION 10.5.(b) Part 6 of Article 2 of Chapter 108A of the General Statutes is amended by adding the following new section to read:

"**§ 108A-58.1. Ineligibility for medical assistance based on transferring assets for less than fair market value.**

(a) General rule. – Except as otherwise provided herein, an individual who is otherwise eligible to receive medical assistance under this Part is ineligible for Medicaid coverage and payment for the services specified in subsection (d) during the period specified in subsection (c) if the individual or the individual's spouse transfers an asset for less than fair market value on or after the "lookback date" specified in subsection (b).

(b) Lookback date. –

(1) Except as otherwise provided herein, the lookback date is the date specified in 42 U.S.C. § 1396p(c)(1)(B).

(2) Notwithstanding subdivision (1), the lookback date with respect to the medical services specified in subdivision (d)(2) is the date specified in 42 U.S.C. § 1396p(c)(1)(B) or February 1, 2003, whichever is later.

(c) Penalty period. – The penalty period for the transfer of assets for less than fair market value is the period specified in 42 U.S.C. § 1396p(c)(1)(D), (E), and (H).

(d) Medical services. –

(1) In the case of an institutionalized individual, the transfer of assets penalty applies with respect to nursing facility services, a level of care in any institution equivalent to that of nursing facility services, and to home or community-based services furnished under the State's Community Alternatives Program waiver pursuant to 42 U.S.C. § 1396n(c) or (d).

(2) In the case of a noninstitutionalized individual, the transfer of assets penalty applies with respect to home health services and personal care services as defined in 42 U.S.C. § 1396d(a)(7) and (24) and, to the extent permitted by federal law, such other long-term care services specified by rules adopted by the Department of Health and Human Services pursuant to subsection (k) of this section.

(e) Assets. – Assets are the income and resources of an individual or the individual's spouse (including the individual's or spouse's home) as defined in 42 U.S.C. § 1396p(h) and 42 U.S.C. § 1396p(c)(1)(G), (I), and (J).

(f) Fair market value and uncompensated value. –

(1) The fair market value of an asset is the value (minus any valid and legally enforceable liens, mortgages, and encumbrances against the asset) that would have been received if the asset had been sold for good and valuable consideration at the prevailing market price at the time the asset was transferred. In the case of real or personal property that is taxable under Subchapter II of Chapter 105 of the General Statutes, there is a rebuttable presumption that the fair market value of the property is its most recent value as ascertained under Subchapter II of Chapter 105 of the General Statutes (minus any valid and legally enforceable liens, mortgages, and encumbrances against the property).

(2) The uncompensated value of an asset is its fair market value minus the amount of good and valuable consideration received in exchange for the asset's transfer.

(g) Individual. – An individual is a person who applies for or is receiving medical assistance under this Part regardless of whether the person was, at the time an asset was transferred, a Medicaid applicant or recipient. The term "individual" also includes an individual's legal representative, anyone acting at the individual's direction or request, and any person, agency, or court acting lawfully on behalf of the individual.

(h) Institutionalized and noninstitutionalized individuals. –

(1) An institutionalized individual is an individual who meets the criteria set forth in 42 U.S.C. § 1396p(h)(3), regardless of whether the individual was institutionalized at the time an asset was transferred.

(2) A noninstitutionalized individual is any individual who (i) is not an institutionalized individual, (ii) is an aged, blind, or disabled person who is categorically or medically needy pursuant to 42 C.F.R. § 435. § 120 or a qualified Medicare beneficiary as defined in 42 U.S.C. § 1396d(p)(1), and (3) is not eligible for medical assistance under this Part based on his or her eligibility for an optional State supplement pursuant to 42 C.F.R. § 435.232.

(i) Exceptions. –

(1) This section does not apply if an individual establishes by the greater weight of the evidence that the transfer was exclusively for some purpose other than establishing or retaining eligibility for medical assistance under this Part.

(2) This section does not apply to any transfer specified in 42 U.S.C. § 1396p(c)(2)(A), (B), (C)(i), or (C)(iii).

(j) Hardship waiver. – The Department of Health and Human Services shall waive a transfer of assets penalty that has been imposed or is imposable under this

section if the Department determines that imposition of the penalty would create an undue hardship.

(k) Rules and compliance with federal law.–

(1) This section shall be interpreted and administered consistently with governing federal law, including 42 U.S.C. § 1396p(c).

(2) The Department of Health and Human Services shall determine and publish at least annually the average monthly cost of nursing facility services for private patients that will be used in determining the length of a penalty period under this section.

(3) The Department of Health and Human Services shall provide for a hardship waiver process in accordance with 42 U.S.C. § 1396p(c)(2)(D).

(4) The Department of Health and Human Services may adopt administrative rules that are necessary and appropriate to implement this section or the requirements of 42 U.S.C. § 1396p(c) or other federal laws governing the transfer of assets and Medicaid eligibility."

SECTION 10.5.(c) This section is effective when it becomes law. This section does not affect the validity of any Medicaid transfer of assets penalty that was validly imposed before the date this act becomes law under prior federal or state law or rules.

MEDICAID DUALLY ELIGIBLE TO ENROLL IN MEDICARE PARTS A,B,C, D

SECTION 10.6. G.S. 108A-55.1 reads as rewritten:

"**§ 108A-55.1. Medicare enrollment required.**

The Department shall require State Medical Assistance Program recipients who qualify for Medicare to enroll in Medicare, in accordance with Title XIX of the Social Security Act, in order to pay medical expenditures that qualify for payment under Medicare ~~Part B.~~ Parts A, B, C, and D.

Failure to enroll in Medicare shall result in nonpayment of these expenditures under the State Medical Assistance Program. A provider may seek payment for services from Medicaid enrollees who are eligible for but not enrolled in Medicare ~~Part B~~ Parts A, B, C, and D."

MEDICAID RESERVE FUND TRANSFER

SECTION 10.7.(a) Of the funds transferred to the Department of Health and Human Services for Medicaid programs pursuant to G.S. 143-23.2, the sum of fifty million dollars ($50,000,000) for the 2006-2007 fiscal year shall be allocated as prescribed by G.S. 143-23.2(b) for Medicaid programs. Notwithstanding the prescription in G.S. 143-23.2(b) that these funds not reduce State general revenue funding, these funds shall replace the reduction in general revenue funding effected in this act.

SECTION 10.7.(b) Of the funds transferred to the Department of Health and Human Services for Medicaid programs pursuant to G.S. 143-23.2, the sum of five million four thousand five hundred four dollars ($5,004,504) for the 2006-2007 fiscal year shall be allocated as prescribed by G.S. 143-23.2(b) for the implementation of the Medicaid Management Information System (MMIS).

REQUIRED DATA SHARING BY PRIVATE HEALTH INSURERS

SECTION 10.8. Part 1 of Article 50 of Chapter 58 of the General Statutes is amended by adding the following new section to read:

"**§ 58-50-46. Insurers to provide certain information to Department of Health and Human Services.**

(a) As used in this section, the terms:

(1) 'Department' means the Department of Health and Human Services.

(2) 'Division' means the Division of Medical Assistance of the Department of Health and Human Services.

(3) 'Health insurer' includes self-insured plans, group health plans (as defined in section 607(1) of the Employee Retirement Income Security Act of 1974, [29 USC Section 1167(1)]), service benefit plans, managed care organizations, or other parties that are, by statute, contract, or agreement, legally responsible for payment of a claim for a health care item or service as a condition of doing business in the State.

(4) 'Medical assistance' means medical assistance benefits provided under the State Medical Assistance Plan.

(b) Health insurers, and pharmacy benefit managers regulated as third-party administrators under Article 56 of Chapter 58 of the General Statutes, shall provide, with respect to individuals who are eligible for, or are provided, medical assistance, upon request of the Division, information to determine during what period the individual or the individual's spouse or dependents may be (or may have been) covered by a health insurer and the nature of the coverage that is or was provided by the health insurer (including the name, address, and identifying number of the plan) in a manner prescribed by the Division. Notwithstanding any other provision of law, every insurer issuing a health benefit plan shall provide, not more frequently than twelve times in a year and at no cost, to the Department of Health and Human Services, upon its request, information, including automated data matches conducted under the direction of the Department of Health and Human Services, Division of Medical Assistance, as necessary to (i) identify individuals covered under the insurer's health benefit plans who are also recipients of medical assistance; (ii) determine the period during which the individual or the individual's spouses or the individual's dependents may be or may have been covered by the health benefit plan; and (iii) determine the nature of the coverage. To facilitate the Division in obtaining this and other related information, every health insurer shall:

(1) Cooperate with the Division to determine whether a named individual who is a recipient of medical assistance may be covered under the insurer's health benefit plan and eligible to receive benefits under the health benefit plan for services provided under the State Medical Assistance Plan.

(2) Respond to the request for information within 90 working days after receipt of written proof of loss or claim for payment for health care services provided to a recipient of medical assistance who is covered by the insurer's health benefit plan.

(3) Accept the Division's right of recovery and the assignment to the Division of any right of an individual or other entity to payment from the party for an item or service for which payment has been made under the State Medical Assistance Plan.

(4) Respond to any inquiry by the Division regarding a claim for payment for any health care item or service that is submitted not later than three years after the date of the provision of the health care item or service.

(5) Agree not to deny a claim submitted by the Division solely on the basis of the date of submission of the claim, the type of format of the claim form, or a failure to present property documentation at the point-of-sale that is the basis of the claim, if:

a. The claim is submitted by the Division within the three-year period beginning on the date on which the item or service was furnished; and

b. Any action by the Division to enforce its rights with respect to such claim is commenced within six years of the Division's submission of the claim.

(c) An insurer that complies with this section shall not be liable on that account in any civil or criminal actions or proceedings."

TICKET TO WORK EFFECTIVE DATE CHANGE

SECTION 10.9.(a) Section 10.18(c) of S.L. 2005-276 reads as rewritten:

"**SECTION 10.18.(c)** Subsection (b) of this section becomes effective July 1, 2006. Subsection (a) of this section becomes effective July 1, ~~2007, or within 30 days after the date on which the MMIS becomes operational, as determined by the Department of Health and Human Services, whichever occurs later.~~2007. Client enrollment shall begin not later than six months from the date subsection (a) becomes effective. The remainder of this section is effective when it becomes law."

SECTION 10.9.(b) The Department of Health and Human Services shall study and develop a plan for the implementation of the Ticket to Work Program. The Department shall report to 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 not later than March 1, 2007, on the results of its study. The report shall include what system changes need to be made to implement the Ticket to Work Program, how soon the changes can be made, and an analysis of the five-year fiscal impact of the Program.

PUBLIC-PRIVATE LONG TERM CARE PARTNERSHIP PROGRAM

SECTION 10.10. Pursuant to authority under Section 1917(b) of the Social Security Act (42 USC 1396p(c)), as amended by Public Law 109-171 effective January 1, 2007, there is established in the Department of Health and Human Services the North Carolina Long-Term Care Partnership Program. The purpose of the Program is to reduce future Medicaid costs for long-term care by delaying or eliminating dependence on Medicaid. The Program shall be administered by the Department of Health and Human Services with the assistance of the Commissioner of Insurance. The Department shall structure and administer the Program in accordance with applicable federal law and guidelines for qualified State long-term care partnerships. The Program, including the treatment of assets for Medicaid eligibility and estate recovery, notwithstanding statutory provisions on treatment of assets and estate recovery to the contrary, shall offer incentives to individuals to insure against the substantial costs of providing for their long-term care needs. The Long-Term Care Partnership Program becomes effective on the effective date of the approved State Plan amendment.

STUDY MEDICAID PROVIDER RATE INCREASES

SECTION 10.11.(a) The Secretary of the Department of Health and Human Services shall study and develop a proposal for an equitable standard for providing inflationary increases and other cost-related increases to service providers in the Medicaid program. The Department shall seek the assistance of external consultants and other appropriate financial experts and affected parties to validate any methodologies used in the development of the standard.

SECTION 10.11.(b) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Medical Assistance, the sum of one hundred thousand dollars ($100,000) for the 2006-2007 fiscal year shall be used to support the study. Not later than March 1, 2007, the Department shall report to 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 on the findings and recommendations of the study.

SECTION 10.11.(c) The Department of Health and Human Services shall study the feasibility and effectiveness of adjusting and rebasing case-mix reimbursement rates using 2005 cost data for nursing facilities. The study shall include the frequency of rebasing to appropriately reflect increases and decreases in reported and audit costs.

INCREASE HEALTH CARE ACCESS FOR UNINSURED PERSONS

SECTION 10.12.(a) The Secretary of the Department of Health and Human Services shall develop a plan to expand health care access for uninsured North Carolinians through the use of public/private partnerships, federal flexibility and resources, and promotion of charity care by health care providers. The goals of the plan are to:

(1) Aid small businesses that want to provide health care coverage.
(2) Expand health care coverage for the working uninsured persons.
(3) Secure all available federal funds to support the program.
(4) Promote charity care by health care providers.

SECTION 10.12.(b) In developing the plan, the Secretary shall:

(1) Consider findings and recommendations of previous studies on increased access to health care and covering the uninsured to determine their feasibility.
(2) Draw on the experience of other states that have successfully increased access to health care and covered the uninsured.
(3) Determine waivers necessary to secure federal funding available through 1115 Demonstration Waivers and other federal waivers to cover the uninsured.
(4) Explore options such as those available through the Deficit Reduction Act of 2005 (DEFRA) to adjust Medicaid eligibility and benefits to cover the uninsured.
(5) Consider the use of existing funding that might be used to leverage additional federal matching funds including certified public expenditures (CPE), and appropriate federal Disproportionate Share Hospital Program (DSH) funds.
(6) Pursue an agreement with the Centers for Medicare and Medicaid Services (CMS) to develop a methodology for investing Medicare savings realized from the expansion of the scope of Community Care of North Carolina Program to help fund the plan; and
(7) Determine in conjunction with the Office of State Budget and Management the fiscal impact of the plan for a five-year period.

SECTION 10.12.(c) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Medical Assistance, the sum of two hundred thousand dollars ($200,000) for the 2006-2007 fiscal year shall be used to support the development of the plan. The proposed plan shall be submitted to the 2007 General Assembly not later than March 1, 2007.

HEALTH INFORMATION SYSTEMS (HIS) FUNDS

SECTION 10.13.(a) The sum of nine million eight hundred thirty-five thousand seven hundred ninety-five dollars ($9,835,795) is appropriated from Budget Code 24430, Fund Code 2117, to the Department of Health and Human Services, Division of Public Health, for the 2006-2007 fiscal year. These funds shall be used for the development and implementation of the Health Information Systems (HIS), an initiative that will provide an automated means of capturing, monitoring, reporting, and billing services provided in local health departments, CDSAs, and the State Public Health Lab. The HIS will allow for interfaces to local health departments' own vendor systems and is intended to replace the outdated Health Services Information System. Allocation of these funds is contingent upon full compliance with the reporting requirements of Section 10.59A.(b) of S.L. 2005-276 and the identification of total estimated costs and future funding sources.

SECTION 10.13.(b) The Department of Health and Human Services, Division of Public Health, shall report on the use of these funds 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 not later than March 1, 2007.

REPEAL VISION CARE PROGRAM

SECTION 10.14. Section 10.59F of S.L. 2005-276 (as amended by Section 20 of S.L. 2005-345), G.S. 130A-440.1, and Part 34 of Article 3 of Chapter 143B of the General Statutes are repealed.

EARLY INTERVENTION SERVICES REPORT

SECTION 10.15. The Department of Health and Human Services, Division of Public Health, shall report on Early Intervention services. The report shall include the following information for all children, ages birth to three years, entering the Early Intervention system as of July 1, 2006, through December 31, 2006:

(1) Children served: the number of children referred and the source of referral, the number of children receiving initial evaluations, the number of children determined eligible, the number of children enrolled, and the number of IFS Plans developed.

(2) Services provided: the number and types of evaluation services, treatment services, and other services provided and whether the service was provided by an employee of a Children's Developmental Services Agency or a private provider.

(3) Sliding scale participation: the percentage of enrolled children whose family income falls into each of the following categories: at or below 200% of the federal poverty level, between 250% and 300% of the federal poverty level, between 350% and 400% of the federal poverty level, and over 400% of the federal poverty level. These percentages shall be reported based on gross income and net income after allowable deductions.

The Division of Public Health shall report its findings and recommendations to the Senate Appropriations Committee on Health and Human Services, the House of Representative Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division not later than February 1, 2007.

COMMUNITY HEALTH CENTER CHANGES

SECTION 10.16. Section 10.9(a) of S.L. 2005-276 reads as rewritten:

"**SECTION 10.9.(a)** Of the funds appropriated in this act for Community Health Grants, the sum of two million dollars ($2,000,000) in recurring ~~funds for the 2005-2006 fiscal year, and the sum of two million dollars ($2,000,000) in recurring~~ funds for the 2006-2007 fiscal year shall be used for federally qualified health centers, for those health centers that meet the criteria for federally qualified health centers, and for State-designated rural health centers and public health departments and other clinics to:

(1) Increase access to preventative and primary care services by uninsured or medically indigent patients in existing or new health center locations;

(2) Establish community health center services in counties where no such services exist;

(3) Create new services or augment existing services provided to uninsured or medically indigent patients, including primary care and preventative medical services, dental services, pharmacy, and behavioral health; and

(4) Increase capacity necessary to serve the uninsured by enhancing or replacing facilities, equipment, or technologies.

Grant funds may not be used to enhance or increase compensation or other benefits of personnel, administrators, directors, consultants, or any other parties. Grant funds

may not be used to supplant federal funds traditionally received by federally qualified community health centers and may not be used to finance or satisfy any existing debt. The Department of Health and Human Services shall distribute funds on the basis of the availability of other funds for the agency, and also on the basis of incidence of poverty or percentage of indigent clients served. Grant applicants must provide after-hours access in order to qualify for grant funds. The Department shall give preference to those grant applicants demonstrating collaboration with the applicant's community hospital."

EDUCATION ON PREVENTION OF PRETERM BIRTHS

SECTION 10.17. Of the funds appropriated in this act to the Department of Health and Human Services, Division of Public Health, the sum of one hundred fifty thousand dollars ($150,000) for the 2006-2007 fiscal year shall be used to provide education to women on the benefits of progesterone for those who have had preterm births and to purchase medication for eligible minority and low-income women until the medication becomes readily available through the Medicaid Program. The Division of Public Health shall evaluate the impact of the use of these funds and shall share the outcomes of the evaluation with the Division of Medical Assistance, 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.

COMMUNITY-FOCUSED ELIMINATING HEALTH DISPARITIES INITIATIVE

SECTION 10.18. Of funds appropriated in this act to the Department of Health and Human Services for the 2006-2007 fiscal year, the sum of two million dollars ($2,000,000) shall be allocated for the Community-Focused Eliminating Health Disparities Initiative (CFEHDI) to provide grants-in-aid to local public health departments, American Indian tribes, and faith-based and community-based organizations to close the gap in the health status of African-Americans, Hispanics/Latinos, and American Indians as compared to white persons. These grants shall focus on the use of preventive measures to support health lifestyles. The areas of focus on health status shall be infant mortality, HIV-AIDS and sexually transmitted infections, cancer, diabetes, and homicides and motor vehicle deaths. These funds shall also be used to support one FTE in the Department of Health and Human Services to monitor, track, and evaluate grantees' progress in meeting performance-based standards and outcomes established by the Department.

AUTHORIZE ONE NEW POSITION FOR HEALTHY CAROLINIANS INITIATIVE

SECTION 10.18A. The Department of Health and Human Services, Division of Public Health, may use funds appropriated for the 2006-2007 fiscal year to support one new position for the Healthy Carolinians Initiative.

CLARIFICATION OF CERTAIN AUDIT REQUIREMENTS

SECTION 10.19. G.S. 143B-139.4.(b) reads as rewritten:

"(b) A private, nonprofit organization that receives employee assistance or other appropriate services in accordance with subsection (a) of this section, shall document all contributions received, including employee time, supplies, materials, equipment, and physical space. The documentation shall also provide an estimated value of all contributions received as well as any compensation paid to or bonuses received by State employees. This documentation shall be submitted annually to the Secretary of the Department of Health and Human Services in a format approved by the Secretary. Nonprofit organizations with less than five hundred thousand dollars ($500,000) in annual income shall submit an affidavit from the chief officer of the organization providing and attesting to the financial condition of the organization and the expenditure

of funds or use of State employee services or other State services. The board of directors of each private, nonprofit organization with an annual income of five hundred thousand dollars ($500,000) or more shall secure and pay for the services of the State Auditor's Office or employ a certified public accountant to conduct an annual audit of the financial accounts of the organization. The board of directors shall transmit to the Secretary of the Department a copy of the annual financial audit report of the private nonprofit organization. Nothing in this subsection shall be construed to relieve the private, nonprofit organization from other applicable reporting requirements established by law."

AIDS DRUG ASSISTANCE PROGRAM

SECTION 10.21. Section 10.59(a) of S.L. 2005-276 reads as rewritten:

"**SECTION 10.59.(a)** ~~For the 2005-2006 fiscal year and for the 2006-2007 fiscal year, HIV-positive individuals with incomes at or below one hundred twenty-five percent (125%) of the federal poverty level are eligible for participation in ADAP. Eligibility for participation in ADAP during the 2005-2007 fiscal biennium shall not be extended to individuals with incomes above one hundred twenty-five percent (125%) of the federal poverty level.~~For the 2006-2007 fiscal year, the Department may adjust the financial eligibility criterion of the ADAP Program up to an amount not exceeding two hundred fifty percent (250%) of the federal poverty level in order to serve as many eligible North Carolinians living with HIV disease as possible within existing resources plus any new federal resources. If the Department raises the eligibility limit above one hundred twenty-five percent (125%) of the federal poverty level and a waiting list develops as a result, the Department shall give priority on the waiting list to those individuals at or below one hundred twenty-five percent (125%) of the federal poverty level."

TECHNICAL CORRECTION TO LICENSURE FEE LIMITS

SECTION 10.22. G.S. 131E-267 reads as rewritten:

"**§ 131E-267. Fees for departmental review of health care facility construction projects.**

The Department of Health and Human Services shall charge a fee for the review of each health care facility construction project to ensure that project plans and construction are in compliance with State law. The fee shall be charged on a one-time, per-project basis, as follows, and shall not exceed ~~twelve thousand five hundred dollars ($12,500)~~twenty-five thousand dollars ($25,000) for any single project:

Institutional Project	**Project Fee**
Hospitals	$ 300.00 plus $0.20/square foot of project space
Nursing Homes	$ 250.00 plus $0.16/square foot of project space
Ambulatory Surgical Facility	$ 200.00 plus $0.16/square foot of project space
Psychiatric Hospital	$ 200.00 plus $0.16/square foot of project space
Adult Care Home	
7 or more beds	$ 175.00 plus $0.10/square foot of project space

Residential Project	**Project Fee**
Family Care Homes	$ 175.00 flat fee
ICF/MR Group Homes	$ 275.00 flat fee
Group Homes: 1-3 beds	$ 100.00 flat fee
Group Homes: 4-6 beds	$ 175.00 flat fee
Group Homes: 7-9 beds	$ 225.00 flat fee
Other residential:	
More than 9 beds	$ 225.00 plus $0.075/square foot of project space."

CLARIFICATION OF FEES FOR MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE SERVICE FACILITIES

SECTION 10.23. G.S. 122C-23(h) reads as rewritten:

"(h) The Department shall charge facilities licensed under this Chapter ~~that have licensed beds~~ a nonrefundable annual base license fee plus a nonrefundable annual per-bed fee as follows:

Type of Facility	Number of Beds	Base Fee	Per-Bed Fee
Facilities (non ICF/MR):	0 beds	$175.00	$0
~~Facilities (non ICF/MR):~~			
	~~6 of fewer~~		
	1 to 6 beds	$250.00	$0
	More than 6 beds	$350.00	$12.50
ICF/MR Only:	~~6 or fewer~~		
	1 to 6 beds	$650.00	$0
	More than 6 beds	$650.00	$12.50"

TRANSFER ADVOCACY AND CUSTOMER SERVICE SECTION TO OFFICE OF THE SECRETARY

SECTION 10.24. The Advocacy and Customer Service Section of the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services is transferred to the Office of the Secretary of the Department of Health and Human Services. The transfer has the elements of a Type I transfer as defined in G.S. 143A-6. In addition to its other responsibilities, the Advocacy and Customer Service Section shall assume and carry out the requirements of the Consumer Advocacy Program as established under Article 1A of Chapter 122C of the General Statutes.

AUTHORIZE LOCAL MANAGEMENT ENTITIES TO TRANSFER FUNDS BETWEEN AGE AND DISABILITY CATEGORIES

SECTION 10.25.(a) Notwithstanding G.S. 143-23, an area authority or a county program may transfer from one age or disability category to a different age or disability category up to fifteen percent (15%) of the funds initially allocated to the age or disability category from which funds are being transferred. Prior to the transfer, the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services shall verify that the transfer meets applicable federal requirements. Area authorities and county programs shall:

(1) Publicly document that they have addressed the service needs of the category from which the funds are being transferred before any transfer may occur, and

(2) Submit the required documentation to the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services and to the Fiscal Research Division within 15 days of making the transfer.

SECTION 10.25.(b) This section expires July 1, 2007.

AREA AUTHORITY AND COUNTY PROGRAM CRISIS REGIONS

SECTION 10.26.(a) Using funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, and allocated to area authorities and county programs for this purpose, area authorities and county programs shall organize themselves into no more than 21 crisis regions based upon the existing Geriatric Specialty team configurations or other approved regions. These funds shall be allocated to each area authority or county programs on a per capita basis. The funds may be used for operational start-up, capital, or subsidies related to developing a continuum of crisis services. No more than three percent (3%) may be spent for administrative costs. The area authorities and county program within a crisis region shall work together to identify gaps in their ability to provide a continuum of crisis services for all consumers

and use the funds allocated to them to develop and implement a plan to address those needs. At a minimum, the plan must address the development over time of the following components: 24-hour crisis telephone lines, walk-in crisis services, mobile crisis outreach, crisis respite/residential services, crisis stabilization units, 23-hour beds, facility-based crisis, in-patient crisis and transportation. Options for voluntary admissions to a secured facility must include at least one service appropriate to address the mental health, developmental disability, and substance abuse needs of adults, and the mental health, developmental disability, and substance abuse needs of children. Options for involuntary commitment to a secured facility must include at least one option in addition to admission to a State facility.

If all area authorities and county programs in a crisis region determine that a facility-based crisis center is needed and sustainable on a long-term basis, the crisis region shall attempt to secure those services through a community hospital or other community facility first. If all the area authorities and county programs in the crisis region determine the region's crisis needs are being met, the area authorities and county programs may use the funds to meet local crisis service needs.

SECTION 10.26.(b) Of the funds appropriated in this act for consultant services to aid local management entities and the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, the sum of two hundred twenty-five thousand dollars ($225,000) shall be used for consulting services engaged pursuant to this subsection. Each area authority and county program and each crisis region shall utilize the technical assistance of a consultant under contract with the Department of Health and Human Services to develop and implement its crisis services plan. The consultant shall assist area authorities and county programs and crisis regions to identify local and regional gaps in crisis services, identify options for providing services, implement new services, and maintain transparency and accountability for the use of funds. The crisis region or area authorities and county programs shall submit their crisis services plan to the consultant and to the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (Division) for review and public comment. The crisis regions and area authorities and county programs shall consider the comments prior to submitting a final plan for implementation. Upon submission of a final plan to the Department of Health and Human Services, each crisis region, area authority, and county program will receive implementation funds. Funds not expended during the 2006-2007 fiscal year shall not revert.

Area authorities and county programs and crisis regions shall report monthly to the consultant and to the Division regarding the use of the funds, whether there has been a reduction in the use of State psychiatric hospitals for acute admissions, and remaining gaps in local and regional crisis services. The consultant shall report regularly to the General Assembly, the Fiscal Research Division, and the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services regarding each crisis region's and area authorities' and county programs' proposed and actual use of the funds.

EXTEND SUNSET FOR FIRST COMMITMENT PILOT PROGRAM

LOC

SECTION 10.27. S.L. 2003-178 reads as rewritten:

"**SECTION 1.** The Secretary of Health and Human Services may, upon request of a phase-one local management entity, waive temporarily the requirements of G.S. 122C-261 through G.S. 122C-263 and G.S. 122C-281 through G.S. 122C-283 pertaining to initial (first-level) examinations by a physician or eligible psychologist of individuals meeting the criteria of G.S. 122C-261(a) or G.S. 122C-281(a), as applicable, as follows:

(1) The Secretary has received a request from a phase-one local management entity to substitute for a physician or eligible psychologist, a licensed clinical social worker, a masters level psychiatric nurse, or a masters level certified clinical addictions

specialist to conduct the initial (first-level) examinations of individuals meeting the criteria of G.S. 122C-261(a) or G.S. 122C-281(a). The waiver shall be implemented on a pilot-program basis. The request from the local management entity shall be submitted as part of the entity's local business plan and shall specifically describe:

a. How the purpose of the statutory requirement would be better served by waiving the requirement and substituting the proposed change under the waiver.

b. How the waiver will enable the local management entity to improve the delivery or management of mental health, developmental disabilities, and substance abuse services.

c. How the services to be provided by the licensed clinical social worker, the masters level psychiatric nurse, or the masters level certified clinical addictions specialist under the waiver are within each of these professional's scope of practice.

d. How the health, safety, and welfare of individuals will continue to be at least as well protected under the waiver as under the statutory requirement.

(2) The Secretary shall review the request and may approve it upon finding that:

a. The request meets the requirements of this section.

b. The request furthers the purposes of State policy under G.S. 122C-2 and mental health, developmental disabilities, and substance abuse services reform.

c. The request improves the delivery of mental health, developmental disabilities, and substance abuse services in the counties affected by the waiver and also protects the health, safety, and welfare of individuals receiving these services.

d. The duties and responsibilities performed by the licensed clinical social worker, the masters level psychiatric nurse, or the masters level certified clinical addictions specialist are within the individual's scope of practice.

(3) The Secretary shall evaluate the effectiveness, quality, and efficiency of mental health, developmental disabilities, and substance abuse services and protection of health, safety, and welfare under the waiver. The Secretary shall send a report on the evaluation to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substances Abuse Services on or before July 1, 2006.

(4) The waiver granted by the Secretary under this section shall be in effect ~~for a period not to exceed three years, or the period for which the requesting local management entity's business plan is approved, whichever is shorter.~~until October 1, 2007.

(5) The Secretary may grant a waiver under this section to up to five local management entities that have been designated as phase-one entities as of July 1, 2003.

(6) In no event shall the substitution of a licensed clinical social worker, masters level psychiatric nurse, or masters level certified clinical addictions specialist under a waiver granted under this section be construed as authorization to expand the scope of practice of the licensed clinical social worker, the masters level psychiatric nurse, or the masters level certified clinical addictions specialist.

(7) The Department shall assure that staff performing the duties are trained and privileged to perform the functions identified in the waiver. The Department shall involve stakeholders including, but not limited to, the North Carolina Psychiatric Association, The North Carolina

Nurses Association, National Association of Social Workers, The North Carolina Substance Abuse Professional Certification Board, North Carolina Psychological Association, The North Carolina Society for Clinical Social Work, and the North Carolina Medical Society in developing required staff competencies.

(8) The local management entity shall assure that a physician is available at all times to provide backup support to include telephone consultation and face-to-face evaluation, if necessary.

SECTION 2. This act becomes effective July 1, 2003, and expires ~~July 1, 2006.~~October 1, 2007."

CHANGES TO THE STATE PLAN FOR MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE SERVICES

SECTION 10.28.(a) G.S. 122C-102 reads as rewritten:

"**§ 122C-102. State Plan for Mental Health, Developmental Disabilities, and Substance Abuse ~~Services.~~Services; system performance measures.**

(a) Purpose of State Plan. – The Department shall develop and implement a State Plan for Mental Health, Developmental Disabilities, and Substance Abuse Services. The purpose of the State Plan is to provide a strategic template regarding how State and local resources shall be organized and used to provide services. The State Plan shall be issued every three years beginning July 1, 2007. It shall identify specific goals to be achieved by the Department, area authorities, and county programs over a three-year period of time and benchmarks for determining whether progress is being made towards those goals. It shall also identify data that will be used to measure progress towards the specified goals. In order to increase the ability of the State, area authorities, county programs, private providers, and consumers to successfully implement the goals of the State Plan, the Department shall not adopt or implement policies that are inconsistent with the State Plan without first consulting with the Joint Legislative Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services.

(b) Content of State Plan. – The State Plan shall include the following:

(1) Vision and mission of the State Mental Health, Developmental Disabilities, and Substance Abuse Services system.

~~(2) Organizational structure of the Department and the divisions of the Department responsible for managing and monitoring mental health, developmental disabilities, and substance abuse services.~~

(3) Protection of client rights and consumer involvement in planning and management of system services.

(4) Provision of services to targeted populations, including criteria for identifying targeted populations.

(5) Compliance with federal mandates in establishing service priorities in mental health, developmental disabilities, and substance abuse.

(6) Description of the core services that are available to all individuals in order to improve consumer access to mental health, developmental disabilities, and substance abuse services at the local level.

(7) Service standards for the mental health, developmental disabilities, and substance abuse services system.

(8) Implementation of the uniform portal process.

(9) Strategies and schedules for implementing the service plan, including consultation on Medicaid policy with area and county programs, qualified providers, and others as designated by the Secretary, intersystem collaboration, promotion of best practices, technical assistance, outcome-based monitoring, and evaluation.

(10) A plan for coordination of the State Plan for Mental Health, Developmental Disabilities, and Substance Abuse Services with the Medicaid State Plan, and NC Health Choice.

(11) A business plan to demonstrate efficient and effective resource management of the mental health, developmental disabilities, and substance abuse services system, including strategies for accountability for non-Medicaid and Medicaid services.

(12) Strategies and schedules for implementing a phased in plan to eliminate disparities in the allocation of State funding across county programs and area authorities by January 1, 2007, including methods to identify service gaps and to ensure equitable use of State funds to fill those gaps among all counties.

(c) State Performance Measures. – The State Plan shall also include a mechanism for measuring the State's progress towards increased performance on the following matters: access to services, consumer-focused outcomes, individualized planning and supports, promotion of best practices, quality management systems, system efficiency and effectiveness, and prevention and early intervention. Beginning October 1, 2006, and every six months thereafter, the Secretary shall report to the General Assembly and the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services on the State's progress in these performance areas."

SECTION 10.28.(b) The North Carolina Department of Health and Human Services (DHHS) shall review all State Plans for Mental Health, Developmental Disabilities, and Substance Abuse Services, implemented after July 1, 2001, and before the effective date of this act and produce a single document that contains a cumulative statement of all still applicable provisions of those Plans. This cumulative document shall constitute the State Plan until July 1, 2007.

DHHS and the Secretary shall also identify those provisions in G.S. 122C-112.1, prior State Plans, and directives or communications by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services that must be adopted as administrative rules in order to be enforceable and undertake to adopt those rules.

SECTION 10.28.(c) Independent consultants hired by the Department from funds appropriated in this act for this purpose shall undertake the following tasks:

(1) Assist DHHS with the strategic planning necessary to develop the revised State Plan as required under G.S. 122C-102. The State Plan shall be coordinated with local and regional crisis service plans by area authorities and county programs.

(2) Study and make recommendations to increase the capacity of DHHS to implement system reform successfully and in a manner that maintains strong management functions by area authorities and county programs at the local level.

(3) Assist the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to work with area authorities and county programs to:

a. Develop and implement five to ten critical performance indicators to be used to hold area authorities and county programs accountable for managing the mental health, developmental disabilities, and substance abuse services system. The performance system indicators shall be implemented no later than six months after the consultant's contract is awarded and in no event later than July 1, 2007.

b. Standardize the utilization management functions for Medicaid and non-Medicaid services and for the review and approval of person-centered plans.

c. Develop area authorities' and county programs' expertise to assume utilization management for Medicaid services. The goal shall be to have a portion of the area authorities and county

programs assume that function beginning July 1, 2007, and the remainder to assume the function no later than July 1, 2009.

d. Implement other uniform procedures for the management functions of area authorities and county programs.

(4) Provide technical assistance and oversight to private service providers, area authorities, and county programs to ensure that best practices and new services are being delivered with fidelity to the service definition model.

(5) Provide ongoing and focused technical assistance to area authorities and county programs in the implementation of their administrative and management functions and the establishment and operation of community-based programs. The Secretary shall include in the State Plan a mechanism for monitoring the Department's success in implementing this duty and the progress of area authorities and county programs in achieving these functions.

(6) Assist the Division with implementing standard forms, contracts, processes, and procedures to be used by all area authorities and county programs with other public and private service providers. These processes and procedures shall include standardized denial codes and a standard policy regarding the coordination of benefits. The independent consultant shall consult with area authorities and county programs regarding the development of these forms, contracts, processes, and procedures. Any document or process developed under this subdivision shall place an obligation upon providers to transmit to area authorities and county programs timely client information and outcome data. The independent consultant shall also recommend language regarding what constitutes a clean claim for purposes of billing. When implementing this subdivision, the independent consultant shall balance the need for area authorities and county programs to exercise discretion in the discharge of their management responsibilities with the need of private service providers for a uniform system of doing business with public entities. The independent consultant shall also (i) identify other areas of standardization that may be implemented without undermining the authority of area authorities and county programs, and (ii) identify and eliminate processes and procedures that are duplicative or result in unnecessary paperwork.

LOC

FACILITY LICENSURE REQUIREMENTS FOR OUTPATIENT SUBSTANCE ABUSE SERVICES CONSISTENT WITH FACILITY LICENSURE REQUIREMENTS FOR OUTPATIENT MENTAL HEALTH AND DEVELOPMENTAL DISABILITY SERVICES

SECTION 10.29. G.S. 122C-3(14) reads as rewritten:

"**§ 122C-3. Definitions.**

As used in this Chapter, unless another meaning is specified or the context clearly requires otherwise, the following terms have the meanings specified:

...

(14) "Facility" means any person at one location whose primary purpose is to provide services for the care, treatment, habilitation, or rehabilitation of the mentally ill, the developmentally disabled, or substance abusers, and includes:

a. An "area facility", which is a facility that is operated by or under contract with the area authority or county program. For the purposes of this subparagraph, a contract is a contract, memorandum of understanding, or other written agreement whereby the facility agrees to provide services to one or more

clients of the area authority or county program. Area facilities may also be licensable facilities in accordance with Article 2 of this Chapter. A State facility is not an area facility;

b. A "licensable facility", which is a facility that provides services to individuals who are mentally ill, developmentally disabled, or substance abusers for one or more minors or for two or more adults. ~~When the services offered are provided to individuals who are mentally ill or developmentally disabled, these~~ These services shall be day services offered to the same individual for a period of three hours or more during a 24-hour period, or residential services provided for 24 consecutive hours or more. ~~When the services offered are provided to individuals who are substance abusers, these services shall include all outpatient services, day services offered to the same individual for a period of three hours or more during a 24-hour period, or residential services provided for 24 consecutive hours or more.~~ Facilities for individuals who are substance abusers include chemical dependency facilities;

c. A "private facility", which is a facility that is either a licensable facility or a special unit of a general hospital or a part of either in which the specific service provided is not covered under the terms of a contract with an area authority;

d. The psychiatric service of the University of North Carolina Hospitals at Chapel Hill;

e. A "residential facility", which is a 24-hour facility that is not a hospital, including a group home;

f. A "State facility", which is a facility that is operated by the Secretary;

g. A "24-hour facility", which is a facility that provides a structured living environment and services for a period of 24 consecutive hours or more and includes hospitals that are facilities under this Chapter; and

h. A Veterans Administration facility or part thereof that provides services for the care, treatment, habilitation, or rehabilitation of the mentally ill, the developmentally disabled, or substance abusers."

INDEDPENDENT- AND SUPPORTIVE-LIVING APARTMENTS INITIATIVE

LOC

SECTION 10.30. The independent and supportive living apartments for persons with disabilities constructed from funds appropriated in this act for that purpose shall be affordable to persons with incomes at the Supplemental Security Income (SSI) level. If the North Carolina Housing Finance Agency is able to finance the apartments for less than the amount appropriated under this section, any remaining funds, as well as any interest earned on the amount appropriated, may be used to finance additional apartments, group homes, and transitional housing for individuals with disabilities.

LME FINANCIAL REPORTS TO COUNTY REVIEWED BY COUNTY FINANCE OFFICERS

LOC modified

SECTION 10.31.(a) G.S. 122C-117(c) reads as rewritten:

"(c) Within 30 days of the end of each quarter of the fiscal year, the area director and finance officer of the area authority shall provide to each member of the board of county commissioners the quarterly report of the area authority. The quarterly report shall also be presented to the county finance officer for review and comment. The clerk to the board of commissioners shall notify the area director and finance officer if it has not received the quarterly report required by this subsection.This information shall be

presented in a format prescribed by the county. At least twice a year, this information shall be presented in person and shall be read into the minutes of the meeting at which it is presented. In addition, the area director or finance officer of the area authority shall provide to the board of county commissioners ad hoc reports as requested by the board of county commissioners."

SECTION 10.31.(b) Article 23 of Chapter 153A of the General Statutes is amended by adding the following new section to read:

"**§ 153A-453. Quarterly reports of Mental Health, Developmental Disabilities, and Substance Abuse Services area authority or county program.**

Quarterly reports by the area director and finance officer of Mental Health, Developmental Disabilities, and Substance Abuse Services area authorities or county programs shall be submitted to the county finance officer as provided under G.S. 122C-117(c)."

LOCAL MANAGEMENT ENTITY ADMINISTRATIVE FUNCTIONS

SECTION 10.32. The Department of Health and Human Services shall recalculate local management entity (LME) systems management allocations for fiscal year 2006-2007 to include funds for each LME to implement 24-hour, seven days a week screening, triage, and referral, and to review, monitor, and comment on all person-centered plans. The Department shall allocate funds appropriated in this act for this purpose to LMEs to implement the functions described in this section.

PORTION OF PROCEEDS FROM ALCOHOL EXCISE TAX DEPOSITED TO TRUST FUND FOR MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE SERVICES AND BRIDGE FUNDING NEEDS

SECTION 10.33.(a) Part 4 of Article 2C of Chapter 105 of the General Statutes is amended by adding a new section to read:

"**§ 105-113.82A. Distribution to the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs.**

After setting aside funds for the distributions required by G.S. 105-113.81A and G.S. 105-113.82, the Secretary shall on a monthly basis distribute to the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs, established under G.S. 143-15.3D, five percent (5%) of the net proceeds of the amount of excise taxes collected under this Article on malt beverages, unfortified wine, fortified wine, and spirituous liquor."

SECTION 10.33.(b) This section becomes effective July 1, 2006, and applies to taxes collected on or after that date.

DISTRIBUTION OF MENTAL HEALTH AND SUBSTANCE ABUSE SERVICES FUNDS

SECTION 10.33A. Funds appropriated in this act for mental health services and substance abuse services shall be allocated to local management entities such that each local management entity receives a percentage of the total allocation that is equal to that local management entity's percentage of the State's total population that is below the federal poverty level.

DEPARTMENT'S DUTY TO PROVIDE TECHNICAL ASSISTANCE TO AREA AUTHORITIES AND COUNTY PROGRAMS

SECTION 10.33B. G.S. 122C-112.1(a)(9) reads as rewritten:

"**§ 122C-112.1. Powers and duties of the Secretary.**

(a) The Secretary shall do all of the following:

...

"(9) ~~Assist~~ Provide ongoing and focused technical assistance to area authorities and county programs in the implementation of their

administrative and management functions and the establishment and operation of community-based programs. The Secretary shall include in the State Plan a mechanism for monitoring the Department's success in implementing this duty and the progress of area authorities and county programs in achieving these functions."

STRENGTHEN LOCAL MANAGEMENT ENTITIES

SECTION 10.33C.(a) G.S. 122C-3 is amended by adding the following new subdivision to read:

"**§ 122C-3. Definitions.**

~~As used in this Chapter, unless another meaning is specified or the context clearly requires otherwise, the following terms have the meanings specified:~~The following definitions apply in this Chapter:

...

(20b) "Local management entity" or "LME" means an area authority, county program, or consolidated human services agency."

SECTION 10.33C.(b) G.S. 122C-111 reads as rewritten:

"**§ 122C-111. Administration.**

The Secretary shall administer and enforce the provisions of this Chapter and the rules of the Commission and shall operate State facilities. An area director or program director shall (i) manage the public mental health, developmental disabilities, and substance abuse system for ~~administer the programs of~~ the area authority or county ~~program, as applicable,~~ program according to the local business plan, and (ii) enforce applicable State laws, rules of the Commission, and rules of the Secretary. The Secretary in cooperation with area and county program directors and State facility directors shall provide for the coordination of public services between area authorities, county programs, and State facilities. The area authority or county program shall monitor the provision of mental health, developmental disability, and substance abuse services for compliance with the law, which monitoring shall not supersede or duplicate the regulatory authority or functions of agencies of the Department."

SECTION 10.33C.(c) G.S. 122C-115.2(a) reads as rewritten:

"**§ 122C-115.2. ~~Business~~ LME business plan required; content, process, certification.**

(a) Every county, through an area authority or county program, shall provide for the development, review, and approval of ~~a~~ an LME business plan for the management and delivery of mental health, developmental disabilities, and substance abuse services. ~~A~~ An LME business plan shall provide detailed information on how the area authority or county program will meet State standards, laws, and rules for ensuring quality mental health, developmental disabilities, and substance abuse services, including outcome measures for evaluating program effectiveness. The business plan shall be in effect for at least three State fiscal years."

SECTION 10.33C.(d) Article 4 of Chapter 122C is amended by adding a new section to read:

"**§ 122C-115.4. Responsibilities of local management entities.**

(a) Local management entities are responsible for the administration and management of the public system of mental health, developmental disabilities, and substance abuse services at the community level. An LME plans, develops, implements, and monitors services within a specified geographic area for both insured and uninsured individuals.

(b) The core functions of an LME include all of the following:

(1) Access for all citizens to core services through the implementation of a 24-hour a day, seven-day a week screening, triage, and referral process and a uniform portal of entry into care.

(2) Provider endorsement, monitoring, technical assistance, and capacity development. An LME may remove as a choice a provider who fails to

meet defined quality criteria or fails to provide data required for monitoring client outcomes.

(3) Utilization review and determination of the appropriate level and intensity of services for all State-funded services, authorization of recipients of services under a Medicaid waiver, review and approval of all person-centered plans, utilization management for all services, care coordination, quality management, and authorization of State psychiatric hospital and other State facility bed days.

(4) Community collaboration and consumer affairs including assurance of rights, appeals, establishment of, and support for an effective consumer and family advisory committee.

(5) Financial management and accountability including information management for the delivery of publicly funded services for mental illness, developmental disabilities, and substance abuse.

(c) An area authority or county program may contract with any public or private entity for the implementation of some or all of the LME responsibilities articulated under this section. A consolidated human services agency may contract with any public or private entity for the implementation of some or all of the LME responsibilities subject to the requirements of G.S. 122C-127. The Secretary may remove one or more of the responsibilities enumerated under subsection (b) of this section only after the Secretary has made an individualized finding that a particular area authority or county program is not providing minimally adequate services under G.S. 122C-124.1 or is in imminent danger of failing financially under G.S. 122C-125. The notice and procedural requirements of G.S. 122C-124.1 and G.S. 122C-125 shall apply to the findings."

SECTION 10.33C.(e) G.S. 122C-118.1 reads as rewritten:

"**§ 122C-118.1. Structure of area board.**

(a) An area board shall have no fewer than 11 and no more than 25 members. In a single-county area authority, the members shall be appointed by the board of county commissioners. Except as otherwise provided, in areas consisting of more than one county, each board of county commissioners within the area shall appoint one commissioner as a member of the area board. These members shall appoint the other members. The boards of county commissioners within the multicounty area shall have the option to appoint the members of the area board in a manner other than as required under this section by adopting a resolution to that effect. The boards of county commissioners in a multicounty area authority shall indicate in the business plan each board's method of appointment of the area board members in accordance with G.S. 122C-115.2(b). These appointments shall take into account sufficient citizen participation, ~~equitable~~ representation of the disability groups, and equitable representation of participating counties. Individuals appointed to the board shall include an individual with financial ~~expertise or~~ expertise, a county finance officer, an individual with expertise in management or business, and an individual representing the interests of children. A member of the board may be removed with or without cause by the initial appointing authority. Vacancies on the board shall be filled by the initial appointing authority before the end of the term of the vacated seat or within 90 days of the vacancy, whichever occurs first, and the appointments shall be for the remainder of the unexpired term.

(b) ~~At least~~ Not more than fifty percent (50%) of the members of the area board shall represent the following:

(1) A physician licensed under Chapter 90 of the General Statutes to practice medicine in North Carolina who, when possible, is certified as having completed a residency in psychiatry.

(2) A clinical professional from the fields of mental health, developmental disabilities, or substance abuse.

(3) ~~A~~ At least one family member or ~~an~~ individual from a citizens' ~~organizations~~ organization composed primarily of consumers or their family members, representing the interests of individuals:
a. With mental illness; ~~and~~
b. In recovery from addiction; ~~and~~ or
c. With developmental disabilities.

(4) ~~Openly~~ At least one openly declared ~~consumers:~~consumer:
a. With mental illness; ~~and~~
b. With developmental ~~disabilities; and~~ disabilities; or
c. In recovery from addiction.

(c) The board of county commissioners may elect to appoint a member of the area authority board to fill concurrently more than one category of membership if the member has the qualifications or attributes of more than one category of membership.

(d) Any member of an area board who is a county commissioner serves on the board in an ex officio capacity. The terms of county commissioners on an area board are concurrent with their terms as county commissioners. The terms of the other members on the area board shall be for ~~four~~ three years, except that upon the initial formation of an area board ~~one-fourth~~ one-third shall be appointed for one year, ~~one-fourth~~ one-third for two years, ~~one-fourth for three years,~~ and all remaining members for ~~four~~ three years. Members ~~other than county commissioners~~ shall not be appointed for more than two consecutive terms. Board members serving as of July 1, 2006, may remain on the board for one additional term.

(e) Upon request, the board shall provide information pertaining to the membership of the board that is a public record under Chapter 132 of the General Statutes."

SECTION 10.33C.(f) G.S. 122C-115.1(g) reads as rewritten:

"(g) In a single-county program, an advisory committee shall be appointed by the board of county commissioners and shall report to the county manager. The appointments shall take into account sufficient citizen participation, equitable representation of the disability groups, and equitable representation of participating counties. ~~At least fifty percent (50%) of the~~ The membership shall conform to the requirements in ~~G.S. 122C-118.1(b)(1)-(4).~~ G.S. 122C-118.1. In a multicounty program, the advisory committee shall be appointed in accordance with the terms of the interlocal agreement."

SECTION 10.33C.(g) G.S. 153A-149(c)(22) reads as rewritten:

"(c) Each county may levy property taxes for one or more of the purposes listed in this subsection up to a combined rate of one dollar and fifty cents ($1.50) on the one hundred dollars ($100.00) appraised value of property subject to taxation. Authorized purposes subject to the rate limitation are:

...

(22) Mental Health. – To provide for the county's share of the cost of maintaining and administering services offered ~~by~~ by, to, or through the area mental health, developmental disabilities, and substance abuse ~~authority.~~ authority or the county program for mental health, developmental disabilities, and substance abuse services."

SECTION 10.33C.(h) G.S. 153A-247 reads as rewritten:

"**§ 153A-247. Provision for public health and mental health.**

A county may provide for and regulate the public health ~~pursuant to~~ under Chapter 130A of the General Statutes and any other law authorizing local public health activities and may provide mental ~~health[,] mental retardation,~~ health, developmental disabilities, and substance abuse ~~programs pursuant to Chapter 122C of the General Statutes.~~programs."

SECTION 10.33C.(i) G.S. 122C-141 is amended by adding a new subsection to read:

"(d) A county may be a qualified public provider and may, under Article 20 of Chapter 160A of the General Statutes, enter into an interlocal agreement with one or more other counties to operate as a qualified public provider."

SECTION 10.33C.(j) G.S. 122C-112.1(a) reads as rewritten:

"**§ 122C-112.1. Powers and duties of the Secretary.**

(a) The Secretary shall do all of the following:

(1) Oversee development of the State Plan for Mental Health, Developmental Disabilities, and Substance Abuse Services.

(2) Enforce the provisions of this Chapter and the rules of the Commission and the Secretary.

(3) Establish a process and criteria for the submission, review, and approval or disapproval of LME business plans submitted by area authorities and counties for the management and provision of mental health, developmental disabilities, and substance abuse services.

(4) Adopt rules specifying the content and format of LME business plans.

(5) Review business plans and, upon approval of the LME business plan, certify the submitting area authority or county program to provide mental health, developmental disabilities, and substance abuse ~~services.~~services in the applicable catchment area.

(6) Establish comprehensive, cohesive oversight and monitoring procedures and processes to ensure continuous compliance by area authorities, county programs, and all providers of public services with State and federal policy, law, and standards. Procedures shall include performance measures and report cards for each area authority and county program.

(7) Conduct regularly scheduled monitoring and oversight of area authority, county programs, and all providers of public services. Monitoring and oversight shall include compliance with the program business plan, core administrative functions, and fiscal and administrative practices and shall also address outcome measures, consumer satisfaction, client rights complaints, and adherence to best practices.

(8) Make findings and recommendations based on information and data collected pursuant to subdivision (7) of this subsection and submit these findings and recommendations to the applicable area authority board, county program director, board of county commissioners, providers of public services, and to the Local Consumer Advocacy Office.

(9) Assist area authorities and county programs in the establishment and operation of community-based programs.

(10) Operate State facilities and adopt rules pertaining to their operation.

(11) Develop a unified system of services provided ~~in area, county, and~~ at the community level, by State facilities, and by providers enrolled or under a contract with the ~~State.~~State and an area authority or county program.

(12) Adopt rules governing the expenditure of all funds for mental health, developmental disabilities, and substance abuse programs and services.

(13) Adopt rules to implement the appeal procedure authorized by G.S. 122C-151.2.

(14) Adopt rules for the implementation of the uniform portal process.

(15) Except as provided in G.S. 122C-26(4), adopt rules establishing procedures for waiver of rules adopted by the Secretary under this Chapter.

(16) Notify the clerks of superior court of changes in the designation of State facility regions and of facilities designated under G.S. 122C-252.

(17) Promote public awareness and understanding of mental health, mental illness, developmental disabilities, and substance abuse.
(18) Administer and enforce rules that are conditions of participation for federal or State financial aid.
(19) Carry out G.S. 122C-361.
(20) Monitor the fiscal and administrative practices of area authorities and county programs to ensure that the programs are accountable to the State for the management and use of federal and State funds allocated for mental health, developmental disabilities, and substance abuse services. The Secretary shall ensure maximum accountability by area authorities and county programs for rate-setting methodologies, reimbursement procedures, billing procedures, provider contracting procedures, record keeping, documentation, and other matters pertaining to financial management and fiscal accountability. The Secretary shall further ensure that the practices are consistent with professionally accepted accounting and management principles.
(21) Provide technical assistance, including conflict resolution, to counties in the development and implementation of area authority and county program business plans and other matters, as requested by the county.
(22) Develop a methodology to be used for calculating county resources to reflect cash and in-kind contributions of the county.
(23) Adopt rules establishing program evaluation and management of mental health, developmental disabilities, and substance abuse services.
(24) Adopt rules regarding the requirements of the federal government for grants-in-aid for mental health, developmental disabilities, or substance abuse programs which may be made available to area authorities or county programs or the State. This section shall be liberally construed in order that the State and its citizens may benefit from the grants-in-aid.
(25) Adopt rules for determining minimally adequate services for purposes of G.S. 122C-124.1 and G.S. 122C-125.
(26) Establish a process for approving area authorities and county programs to provide services directly in accordance with G.S. 122C-141.
(27) Sponsor training opportunities in the fields of mental health, developmental disabilities, and substance abuse.
(28) Enforce the protection of the rights of clients served by State facilities, area authorities, county programs, and providers of public services.
(29) Adopt rules for the enforcement of the protection of the rights of clients being served by State facilities, area authorities, county programs, and providers of public services.
(30) Prior to requesting approval to close a State facility under G.S. 122C-181(b):
a. Notify the Joint Legislative Commission on Governmental Operations, the Joint Legislative Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, and members of the General Assembly who represent catchment areas affected by the closure; and
b. Present a plan for the closure to the members of the Joint Legislative Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Senate Appropriations Committee on Health and Human Services for their review, advice, and recommendations. The plan shall address specifically how

patients will be cared for after closure, how support services to community-based agencies and outreach services will be continued, and the impact on remaining State facilities. In implementing the plan, the Secretary shall take into consideration the comments and recommendations of the committees to which the plan is presented under this subdivision.

(31) Ensure that the State Plan for Mental Health, Developmental Disabilities, and Substance Abuse Services"

10C

CONSUMER AND FAMILY ADVISORY COMMITTEES ESTABLISHED BY AREA AUTHORITIES AND COUNTY PRORAMS

SECTION 10.33D. Article 4 of Chapter 122C is amended by adding a new Part to read:

"Part 4A. Consumer and Family Advisory Committees.

"**§ 122C-170. Local Consumer and Family Advisory Committees.**

(a) Area authorities and county programs shall establish committees made up of consumers and family members to be known as Consumer and Family Advisory Committees (CFACS). A local CFAC shall be a self-governing and a self-directed organization that advises the area authority or county program in its catchment area on the planning and management of the local public mental health, developmental disabilities, and substance abuse services system.

Each CFAC shall adopt bylaws to govern the selection and appointment of its members, their terms of service, the number of members, and other procedural matters. At the request of either the CFAC or the governing board of the area authority or county program, the CFAC and the governing board shall execute an agreement that identifies the roles and responsibilities of each party, channels of communication between the parties, and a process for resolving disputes between the parties.

(b) Each of the disability groups shall be equally represented on the CFAC, and the CFAC shall reflect as closely as possible the racial and ethnic composition of the catchment area. The terms of members shall be three years, and no member may serve more than two consecutive terms. The CFAC shall be composed exclusively of:

(1) Adult consumers of mental health, developmental disabilities, and substance abuse services;

(2) Parents of minor children who are consumers of mental health, developmental disabilities, and substance abuse services; and

(3) Parents of adult children who are severely developmentally disabled.

(c) The CFAC shall undertake all of the following:

(1) Review, comment on, and monitor the implementation of the local business plan.

(2) Identify service gaps and underserved populations.

(3) Make recommendations regarding the service array and monitor the development of additional services.

(4) Review and comment on the area authority or county program budget.

(5) Participate in all quality improvement measures and performance indicators.

(6) Submit to the State Consumer and Advisory Committee findings and recommendations regarding ways to improve the delivery of mental health, developmental disabilities, and substance abuse services.

(d) The director of the area authority or county program shall provide sufficient staff to assist the CFAC in implementing its duties under subsection (c) of this section. The assistance shall include data for the identification of service gaps and underserved populations, training to review and comment on business plans and budgets, procedures to allow participation in quality monitoring, and technical advice on rules of procedure and applicable laws.

"§ 122C-171. State Consumer and Family Advisory Committee.

(a) There is established the State Consumer and Advisory Committee (State CAFC). The State CFAC shall be shall be a self-governing and self-directed organization that advises the Department and the General Assembly on the planning and management of the State's public mental health, developmental disabilities, and substance abuse services system.

(b) The State CFAC shall be composed of 21 members. The members shall be composed exclusively of adult consumers of mental health, developmental disabilities, and substance abuse services; parents of minor children who are consumers of mental health, developmental disabilities, and substance abuse services; and parents of adult children who are severely developmentally disabled. The terms of members shall be three years, and no member may serve more than two consecutive terms. Vacancies shall be filled by the appointing authority. The members shall be appointed as follows:

(1) Nine by the Secretary. The Secretary's appointments shall reflect each of the disability groups. The terms shall be staggered so that terms of three of the appointees expire each year.

(2) Three by the General Assembly upon the recommendations of the President Pro Tempore of the Senate, one each of whom shall come from the three State regions for institutional services (Eastern Region, Central Region, and Western Region). The terms of the appointees shall be staggered so that the term of one appointee expires every year.

(3) Three by the General Assembly upon the recommendations of the Speaker of the House of Representatives, one each of whom shall come from the three State regions for institutional services (Eastern Region, Central Region, and Western Region). The terms of the appointees shall be staggered so that the term of one appointee expires every year.

(4) Three by the Council of Community Programs, one each of whom shall come from the three State regions for institutional services (Eastern Region, Central Region, and Western Region). The terms of the appointees shall be staggered so that the term of one appointee expires every year.

(5) Three by the North Carolina Association of County Commissioners, one each of whom shall come from the three State regions for institutional services (Eastern Region, Central Region, and Western Region). The terms of the appointees shall be staggered so that the term of one appointee expires every year.

(c) The State CFAC shall undertake all of the following:

(1) Review, comment on, and monitor the implementation of the State Plan for Mental Health, Developmental Disabilities, and Substance Abuse Services.

(2) Identify service gaps and underserved populations.

(3) Make recommendations regarding the service array and monitor the development of additional services.

(4) Review and comment on the State budget for mental health, developmental disabilities, and substance abuse services.

(5) Participate in all quality improvement measures and performance indicators.

(6) Receive the findings and recommendations by local CFACs regarding ways to improve the delivery of mental health, developmental disabilities, and substance abuse services.

(7) Provide technical assistance to local CFACs in implementing their duties.

(d) The Secretary shall provide sufficient staff to assist the State CFAC in implementing its duties under subsection (c) of this section. The assistance shall include

data for the identification of service gaps and underserved populations, training to review and comment on the State Plan and departmental budget, procedures to allow participation in quality monitoring, and technical advice on rules of procedure and applicable laws.

(e) State CFAC members shall receive the per diem and allowances prescribed by G.S. 138-5 for State boards and commissions."

STRENGTHEN MH/DD/SA PRIVATE PROVIDERS

SECTION 10.33E. G.S. 122C-142(a) reads as rewritten:

"**§ 122C-142. Contract for services.**

(a) When the area authority contracts with persons for the provision of services, ~~the area authority~~ it shall use the standard contract adopted by the Secretary and shall assure that these contracted services meet the requirements of applicable State statutes and the rules of the Commission and the Secretary. However, an area authority or county program may amend the contract to comply with any court-imposed duty or responsibility. Terms of the standard contract shall require the area authority to monitor the contract to assure that rules and State statutes are met. It shall also place an obligation upon the entity providing services to provide to the area authority timely data regarding the clients being served, the services provided, and the client outcomes. The Secretary ~~may~~ shall also monitor contracted services to assure that rules and State statutes are met."

STRENGTHEN ROLE OF JOINT LEGISLATIVE COMMISSION ON MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE SERVICES

SECTION 10.33F.(a) Article 27 of Chapter 120 is amended by adding a new section to read:

"**§ 120-244. Committee authority.**

The Committee may obtain information and data from all State officers, agents, agencies, and departments, while in discharge of its duties, under G.S. 120-19, as if it were a committee of the General Assembly. The provisions of G.S. 120-19.1 through G.S. 120-19.4 shall apply to the proceedings of the Committee as if it were a committee of the General Assembly. Any cost of providing information to the Committee not covered by G.S. 120-19.3 may be reimbursed by the Committee from funds appropriated to it for its continuing study."

SECTION 10.33F.(b) Article 23 of Chapter 120 of the General Statutes is repealed.

SECTION 10.33F.(c) The Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services (LOC) shall study the following issues and report its findings and recommendations to the 2007 Regular Session of the 2007 General Assembly:

(1) Mechanisms to allow area authorities and county programs to purchase bed days from the State psychiatric hospitals. The LOC shall consider options for holding area authorities and county programs accountable for their use of State psychiatric institutions, provide incentives to increase community capacity, and options for ensuring the State institutions have a sufficient funding stream to ensure quality care to patients and a stable and well-qualified workforce.

(2) Whether implementation of a Medicaid 1915(b) waiver on a statewide or expanded local basis would strengthen the ability of area authorities and county programs to manage the mental health, developmental disabilities, and substance abuse system. As part of the study, the LOC shall examine the impact of the waiver on Piedmont Behavioral Health's ability to implement its management functions including utilization management for Medicaid services, consumer satisfaction,

provider monitoring, use of best practices, and any other matters the LOC determines are relevant. If the LOC determines that a Medicaid 1915(b) waiver would improve the management capacity of area authorities and county programs, it shall also examine whether it would be more appropriate to seek a statewide waiver or whether it would be both possible and advisable for additional area authorities and county programs to seek individual waivers.

(3) Whether G.S. 122C-147.1 should be amended to modify or repeal the provisions that place funds appropriated by the General Assembly into broad age and disability categories."

CHILD CARE ALLOCATION FORMULA

SECTION 10.34. Section 10.61(c) of S.L. 2005-276 reads as rewritten:

"**SECTION 10.61.(c)** Notwithstanding subsection (a) of this section, the Department of Health and Human Services shall allocate up to twenty-two million dollars ($22,000,000) in federal block grant funds and State funds appropriated for fiscal years ~~2004-2005~~2005-2006 and ~~2005-2006~~2006-2007 for child care services. These funds shall be allocated to prevent termination of child care services."

CHILD CARE SUBSIDY RATES

SECTION 10.35. Section 10.62(e) of S.L. 2005-276 reads as rewritten:

"**SECTION 10.62.(e)** A market rate shall be calculated for child care centers and homes at each rated license level for each county and for each age group or age category of enrollees and shall be representative of fees charged to ~~unsubsidized privately paying~~ parents for each age group of enrollees within the county. The Division of Child Development shall also calculate a statewide rate and regional market rates for each rated license level for each age category."

PART XI. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

CONSERVATION RESERVE ENHANCEMENT PROGRAM

SECTION 11.1. Funds appropriated to the Department of Environment and Natural Resources for the 2006-2007 fiscal year for the Division of Soil and Water Conservation for the Conservation Reserve Enhancement Program for acquiring conservation easements and leases or for contracts under the Program shall not revert, but shall remain available for these purposes.

AQUARIUM FUNDS

SECTION 11.2. Of the funds appropriated in this act to the Department of Environment and Natural Resources, the sum of two million five hundred thousand dollars ($2,500,000) for the 2006-2007 fiscal year shall be for the Division of Aquariums for the operations of the Division of Aquariums of the Department of Environment and Natural Resources. These funds are in addition to the funding the Division of Aquariums receives from departmental receipts, and the Department of Environment and Natural Resources may use these funds to shift funding for operations of the Division from receipt-support to General Fund support.

GRASSROOTS SCIENCE PROGRAM

SECTION 11.3. Section 12.5 of S.L. 2005-276, as amended by Section 23 of S.L. 2005-345, reads as rewritten:

"**SECTION 12.5.(a)** Of the funds appropriated in this act to the Department of Environment and Natural Resources for the Grassroots Science Program, the sum of three million one hundred ninety-seven thousand seven hundred sixty-two dollars ($3,197,762) for the 2005-2006 fiscal year and the sum of three million eight hundred

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 1741

AMENDMENT NO. _____
(to be filled in by
Principal Clerk)

S1741-ALU-25 [v.1]

Date _____,2006

Comm. Sub. [YES]
Amends Title [NO]
Third Edition

Representative Farmer-Butterfield

moves to amend the House of Representatives Subcommittee on Health and Human Services Money Report dated June 8, 2006, on page G-5, item 29, by inserting at the end of the paragraph the following language to read:
"$400,000 shall be allocated to the North Carolina Partnership for Children, Inc., for operating support.".

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

JOINT APPROPRIATIONS SUBCOMMITTEE
ON HEALTH AND HUMAN SERVICES

Tuesday, June 20, 2006
8:30 A.M.
Room 643, Legislative Office Building

The Joint Appropriations Subcommittee on Health and Human Services met at 9:00 A.M. in Room 643 of the Legislative Office Building. Senate members present were: Co-Chair William R. Purcell, Co-Chair Vernon Malone, and Senators Berger, Blake, Dannelly, East, and Forrester. Representatives present were Co-Chair Verla Insko, Co-Chair Barnhart, and Representatives Farmer-Butterfield, Allen, England, and Hollo

Senator Purcell presided. After introducing the pages, he told the committee members that the Fiscal Research staff would go over the budget item by item, and that no action would be taken at this meeting. He called on Ms. Carol Shaw to go over "Senate and House Budget Items in Controversy DHHS Money Report" (Attachment I). Senator Purcell asked if the proposed $18 million for county share of Medicaid is adequate. Ms. Jennifer Hoffman said that $18 million and $27 million are figures being discussed for this purpose, as well as a $43 million figure. Senator Purcell asked if the $6.3 million Senate funds for the Early Intervention Program came from the tobacco settlement funds, and Ms. Hoffman responded that it is a grant from the Golden Leaf Foundation.

Ms. Andrea Russo outlined the provisions in the "House/Senate Comparison Report on Mental Health-Related Items" (Attachment II). Senator Berger asked for a breakout of how much each LME receives from the Senate and from the House in this budget. Representative Insko asked for a description of the State Advisory Committee. Ms. Russo responded that this committee is part of the statewide trauma care system, previously funded partly by the Duke Endowment, which has ended, and agreed to provide Representative Insko with additional information she requested.

Ms. Shaw continued with "Senate and House Budget Items in Controversy DHHS" (Attachment III). Representative Insko pointed out that the House committee members were committed to being sure that every policy issue was put into a House bill.

Ms. Shaw continued with "Senate and House Budget Items in Controversy DHHS Block Grants" (Attachment IV).

There being no further questions or comments, the meeting was adjourned at 9:42.

Senator William R. Purcell, M.D.

Lorraine R. Blake, Committee Clerk

N.C. General Assembly

JOINT APPROPRIATIONS CONFERENCE COMMITTEE
2006 Session

RULES FOR JOINT BUDGET SUBCONFEREES

June 20, 2006

1. Subcommittee targets are spending targets. Decisions of Subcommittee Conferees can only affect appropriations within the departments, agencies, or programs within the jurisdiction of the subcommittee.

2. All budget adjustments (reductions or expansion) shall be identified as recurring and non-recurring.

3. All money items shall be decided within the range of funding (or reduction) proposed between the House and Senate budgets.

4. No changes shall be made to the recurring or nonrecurring designation as specified in the House and Senate budgets unless the designation is in controversy.

5. No changes shall be made to items that are not in controversy.

6. No new money items or special provisions shall be introduced without prior consultation with the full Chairs of the Joint Conference Committee.

Fiscal Research Division
Joint Budget Development Team

Targets for Conference Committee
FY 2006-07

Education	9,776,648,813
Health and Human Services	4,204,752,632
Justice and Public Safety	1,818,427,434
Natural and Economic Resources	466,080,915
General Government	393,339,366

CONFEREES FOR SB 1741, MODIFY APPROPRIATIONS ACT OF 2005

Crawford, co-chair
Earle, co-chair
Owens, co-chair
Nye, co-chair
Yongue, co-chair
Clary, co-chair
Sherrill, co-chair
Michaux
Cunningham
Hackney
Holliman
Gibson
Luebke
Wainwright
Alexander
McComas
Howard

Subcommittee on Capital:
Wright

Subcommittee on Education:
Carney
Jeffus
Tolson
Rapp
Bell
Fisher
Parmon
McLawhorn

Subcommittee on Gen Government:
Adams
Lucas
Goforth
Pierce
Tucker

Subcommittee on HHS:
Insko
Farmer-Butterfield
B. Allen
England
Barnhart

Subcommittee on JPS:
Haire
Sutton
Goodwin
Ed Jones
Miller
Kiser

Subcommittee on NER:
Hunter
Warren
L. Allen
Harrison
Wilkins
Wray

Subcommittee on Transportation:
Coates
Cole
McAllister
Church
Coleman
Dickson
Martin
Saunders
Williams

JOINT APPROPRIATIONS SUBCOMMITTEE
ON HEALTH AND HUMAN SERVICES

Tuesday, June 20, 2006
8:30 A.M.
Room 643, Legislative Office Building

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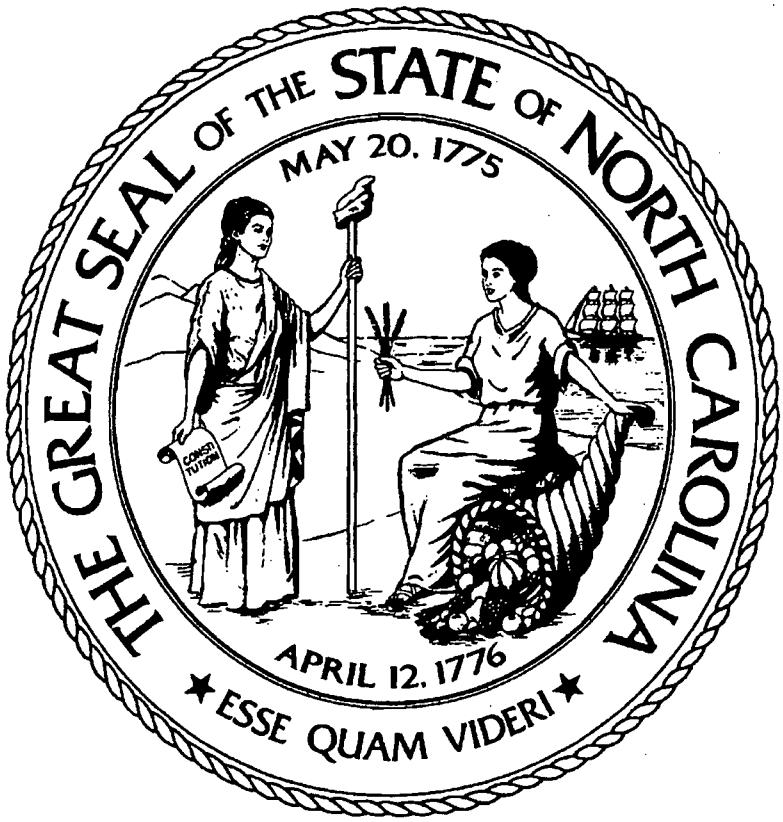
William R Purcell

Senator William R. Purcell, M.D.

Lorraine R. Blake, Committee Clerk

Attachment I



SENATE AND HOUSE ITEMS IN CONTROVERSY

DHHS Money Report

June 19, 2006

Prepared by Fiscal Research Division

House/Senate Comparison Report

Health and Human Services

(Items in Controversy are Shaded)

		House FY 06-07	Senate FY 06-07
(1.0) Division of Medical Assistance			
1	**Revised Medicaid Forecast** Reduces state appropriations for the Medicaid program based upon a revised forecast.	($150,000,000)	($150,000,000)
2	**Ticket-To-Work Date Change** Reduces funding for the Ticket-To-Work Program for FY 2006-07 because the implementation date has been changed to July 1, 2007.	($150,000)	($150,000)
3	**Medicaid Reserve Fund** Transfers funding from the G.S. 143-23.2 reserve to support current services and reduce State appropriations.	($3,000,000) NR	
4	**Inflationary Increases** Provides funding for inflationary increases for Medicaid providers.	$20,000,000	
5	**Cap County Share** Provides funding to cap all 100 counties' portion of Medicaid service costs at the amount paid in FY 2005-06.	$18,000,000	
6	**Reserve for Targeted County Relief** Provides $35 million in non-recurring funding to be allocated to all 100 counties based on the percentage of Medicaid eligible individuals in each county's population. Funds for this item are located in the Statewide Reserves section of this report.		
7	**CAP-MR/DD Slots** Provides full funding for up to 200 additional slots for the Community Alternatives Program for the Mentally Retarded/Developmentally Disabled.	$3,000,000	

Health and Human Services

(Items in Controversy are Shaded)

		House FY 06-07	Senate FY 06-07
8	**Reimbursement Rates for Skilled Nursing Facilities** Provides funding to make adjustments to case-mix reimbursement rates for skilled nursing facilities.	$3,000,000	
9	**In-Home Services Rate Adjustment** Provides funding for inflationary increases for home health and personal care services providers.	$3,000,000	
10	**Health Care Access Study** Provides funding to support the development of a plan to expand health care access for uninsured North Carolinians through the use of public/private partnerships, federal flexibility and resources, and promotion of charity care by health care providers.		$200,000 NR
11	**Provider Rate Study** Provides funding to contract with independent consultants and financial experts to assist the Division in developing a proposal for an equitable standard to provide inflationary increases and other cost related increases to service providers in the Medicaid program.		$100,000 NR

(3.0) Division of Public Health

12	**Eye Exams** Eliminates funding for the Governor's Vision Care Program.		($2,000,000)
13	**Early Intervention** Provides funding to expand the capacity of the Early Intervention program for children ages birth to three in response to the increase in the number of children referred for services.	$8,020,968 206.00 $6,300,000 NR	$7,103,147 197.00
14	**Universal Vaccine Program** Provides funding to expand coverage of the influenza vaccine to children ages two through five and the pertussis vaccine to adolescents aged 11 and 12.	$4,526,095	$6,526,095

Health and Human Services

(Items in Controversy are Shaded)

		House FY 06-07	Senate FY 06-07
15	**Dental Preventive Services** Provides funding for dental preventive services to children at high risk for tooth decay. Funds support the fluoride mouth rinse program in public schools, community water fluoridation and laboratory testing, the provision of dental sealants, and other needed dental care.	$648,938 1.00	
16	**Dental Preventive Services** Provides funding for the fluoride mouth rinse program (FMR) targeted at schools with a high proportion of low income children who are high-risk for tooth decay. Funding is also provided for a Public Health Program Manager I position.		$390,000 NR
17	**School Nurse Funding** Provides recurring funding to support 65 school nurse positions previously supported on a time-limited basis by federal block grants. Also, provides funds to support an additional 25 new school nurse positions.		$4,500,000
18	**School Nurse Funding** Provides recurring funding to support 65 school nurse positions previously supported on a time-limited basis by federal block grants.	$3,250,000	
19	**Women's Health Services** Provides funding for family planning services to uninsured women who are not eligible for Medicaid.	$200,000 NR	
20	**Health Disparities Initiative** Provides non-recurring funding for grants-in-aid awarded through the Community-Focused Eliminating Health Disparities Initiative (CFEHDI). Also, provides recurring funds to support one position to manage the program.		$100,000 1.00 $1,900,000 NR
21	**Health Disparities Initiative** Provides funding for grants-in-aid awarded through the Community-Focused Eliminating Health Disparities Initiative.	$2,000,000	

22 Healthy Start Foundation

Provides a grant-in-aid to the Healthy Start Foundation.

House: $300,000 NR

23 Prevention of Pre-term Births

Provides funding to provide education to women on the benefits of progesterone for those who have had preterm births and to purchase medication for eligible minority and low-income women.

Senate: $150,000 NR

24 Child Maltreatment

Provides funding for one position and support costs to coordinate the implementation of NC Institute of Medicine recommendations for initiatives to prevent the occurrence of child maltreatment.

House: $90,000
1.00

25 Antiviral Purchase for Pandemic Flu

Provides funding for the state match for federal funds to purchase and store 10,000 courses of influenza antiviral medication for the state's first responders.

Senate: $190,000 NR

26 Antiviral Purchase for Pandemic Flu

Provides funding for the state match for federal funds to purchase and store 45,000 courses of influenza antiviral medication. 10,000 courses will be for the state's first responders and the remaining 35,000 courses will be for front-line healthcare workers.

House: $652,500 NR

27 Private Well Water Safety Program

Provides funding for equipment and supplies to test the anticipated additional private well water samples due to increased standards for newly constructed wells. Authorizes three positions to be supported through fee receipts, estimated at $915,530. Receipts and authority for the three positions is contingent upon passage of House Bill 2433.

House: 3.00
$226,000 NR

28 Private Well Water Safety Program

Provides funding for equipment and supplies required to test the anticipated additional private well water samples due to increased enforcement of well construction standards. Authorizes three positions to be supported through fee receipts.

Senate: 3.00
$226,000 NR

(4.0) Division of Mental Health, Developmental Disabilities, and Substance Abu

		House FY 06-07	Senate FY 06-07
29	**ADATC** Provides funding for personnel and operating support associated with the expansion of acute units at each of the State's three alcohol drug abuse treatment centers (ADATC).		$5,191,815 159.00
30	**ADATC** Provides funding for personnel and operating support associated with the expansion of the acute units at the Walter B. Jones and R.J. Blackley Alcohol and Drug Abuse Treatment Centers.	$3,969,719 93.00	
31	**Developmental Therapies for DD** Provides funding for a state-funded service to replace services lost due to changes in federal policy and cuts in federal support.	$25,035,119 $1,400,000 NR	$29,435,119
32	**Mental Health Services** Provides funding for mental health services to be distributed to the Local Management Entities (LMEs) such that each LME receives a percentage of the total allocation that is equal to that LME's percentage of the State's total population below the poverty level. Additionally, $1,500,000 in non-recurring funds are appropriated in the Mental Health Trust Fund for this purpose.	$7,000,000	
33	**Mental Health Services** Provides funding for mental health services to be distributed to the Local Management Entities (LMEs) such that each LME receives a percentage of the total allocation that is equal to that LME's percentage of the State's total population below the poverty level.		$8,000,000
34	**Substance Abuse Services** Provides funding for substance abuse services to be distributed to the LMEs such that each LME receives a percentage of the total allocation that is equal to that LME's percentage of the State's total population below the poverty level. Additionally, $1,500,000 in non-recurring funds are appropriated in the Mental Health Trust Fund for this purpose.	$7,000,000	

35 **Substance Abuse Services** — $8,000,000

Provides funding for substance abuse services to be distributed to the LMEs such that each LME receives a percentage of the total allocation that is equal to that LME's percentage of the State's total population below the poverty level.

36 **Housing Trust Fund - 400 Apartment Housing Initiative**

Provides $11,250,000 in non-recurring funding to the North Carolina Housing Trust Fund for a 400 independent- and supportive-living apartment initiative recommended by the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services. These funds are for the financing of the portion of the 400 apartments not able to be financed within the existing means of the North Carolina Housing Finance Agency. Operating assistance for the 400 apartments will be provided from the funds in the next item. The apartments shall be for individuals with disabilities and shall be affordable to those with incomes at the Supplemental Security Income (SSI) level.

The funds for this item are located in the Housing Finance Agency section of this report.

37 **Housing Trust Fund - 400 Apartment Initiative**

Provides $10,625,000 in non-recurring funding to the North Carolina Housing Trust Fund for a 400 independent- and supportive-living apartment initiative recommended by the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services. These funds are for the financing of the portion of the 400 apartments not able to be financed within the existing means of the North Carolina Housing Finance Agency. Operating assistance for the 400 apartments will be provided from the funds in the Mental Health Trust Fund. The apartments shall be for individuals with disabilities and shall be affordable to those with incomes at the Supplemental Security Income (SSI) level.

The funds for this item are located in the Housing Finance Agency section of this report.

		House FY 06-07	Senate FY 06-07
38	**Operating Cost Subsidy - 400 Apartment Initiative** Provides recurring operating cost subsidy for 400 independent- and supportive-living apartments for individuals with disabilities financed by the North Carolina Housing Finance Agency as described in the previous item. The apartments shall be affordable to those with incomes at the Supplemental Security Income (SSI) level.		$1,205,000
39	**Supportive Services for HUD 811 Projects** Provides funding for on-going operations and start-up expenses to support 12 group home beds and 93 apartments financed through the United States Department of Housing and Urban Development.		$713,000 $370,000 NR
40	**Supportive Services for HUD 811 Projects** Provides funding for on-going operations and start-up expenses to support 12 group home beds and 80 apartments financed through the United States Department of Housing and Urban Development.	$635,000 $330,000 NR	
41	**Mental Health Trust Fund** Provides $5,000,000 non-recurring for the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs to be used in accordance with G.S. 143-15.3D. In addition to this direct appropriation from the General Fund, a portion of the excise tax on alcohol will be redirected from the General Fund to the Trust Fund on a permanent basis. A total of $9.39 million is anticipated to be deposited in the Trust Fund from the alcohol excise tax for the 2006-07 fiscal year. The funds for this item are located in the Statewide Reserves section of this report.		

42 Mental Health Trust Fund

Provides $24,205,000 in funding for the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs to be used in accordance with G.S. 143-15.3D.

Of the $24,205,000, $9,205,000 will be spent in the following areas:

$1,205,000 to provide operating cost subsidy for 400 independent- and supportive living apartments for individuals with disabilities financed by the North Carolina Housing Finance Agency as described in item labeled "Housing Trust Fund - 400 Apartment Initiative". The apartments shall be affordable to those with incomes at the SSI level.

$2,000,000 to improve psychiatrist access for public consumers.

$1,500,000 for mental health services.

$1,500,000 for substance abuse services.

$3,000,000 for crisis services.

The funding for mental health services, substance abuse services, and crisis services (a total of $6,000,000) will be distributed to the LMEs such that each LME receives a percentage of the total allocation that is equal to that LME's percentage of the total population below the federal poverty level.

The funds for this item are located in the Statewide Reserves section of this report.

43 Funding to The North Carolina AHEC Program for Psychiatrist Recruitment

Provides $1,000,000 to the North Carolina Area Health Education Centers Program to recruit psychiatrists to rural and underserved areas to provide community services. The program may include student loan repayment.

The funds for this item are located in the UNC System section of this report.

44 Start-Up Funding for Crisis Services

$5,250,000	NR	$5,250,000	NR

Provides funding for start-up costs for crisis services to be used by LMEs to establish a continuum of regional crisis facilities and local crisis services for persons with mental illness, developmental disabilities, and substance abuse addictions.

45 State Service Dollars for Crisis Services — $5,000,000

Provides funding for crisis services to be distributed to LMEs such that each LME receives a percentage of the total allocation that is equal to that LME's percentage of the State's total population below the poverty level. LMEs may use these funds to pay for mental health, developmental disabilities, or substance abuse crisis services provided to non-Medicaid eligible adults and children who are indigent and have no other third-party payment source. Additionally, $3,000,000 in non-recurring funds are appropriated in the Mental Health Trust Fund for this purpose.

46 State Service Dollars for Crisis Services — $9,000,000

Provides funding for crisis services to be allocated to LMEs on a per capita basis. LMEs may use these funds to pay for mental health, developmental disabilities, or substance abuse crisis services provided to non-Medicaid eligible adults and children who are indigent and have no other third-party payment source.

47 Per Capita Funding for Psychiatrist Access — $9,000,000

Provides funding to be allocated to the LMEs on a per capita basis to ensure access to core psychiatrist services.

48 Consultants to Aid the Division and LMEs — $925,000 NR — $1,125,000 NR

Provides funding for consultants to aid the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services and the LMEs with planning for crisis services, strategic planning, developing performance indicators, standardization, and capacity-building.

49 Strategic LME Team — $300,000 — 3.00

Provides funding to be used for three positions to create a Local Management Entity (LME) Strategic Assistance Team. The Team shall assist LMEs develop, implement, and maintaining their statutory responsibilities.

50 Child and Family Teams — $523,638

Provides funding for LMEs to hire 18 Care Coordinators to work with Child and Family Teams.

(5.0) Division of Facility Services

51 State Regional Advisory Committees

Provides funding for the State's eight Regional Advisory Committees.

House: $200,000 NR

(7.0) Divisions of Services for the Blind and Services for the Deaf and Hard of

52 Accessible Electronic Information for Blind and Disabled Persons

Provides funding to continue accessible electronic information services for blind and disabled persons.

Senate: $75,000 NR

(8.0) Division of Child Development

53 Child Care Subsidy

Provides funding to maintain existing caseload, implement 25% of the 2005 market rates for 3 to 5 star facilities, and remove children from the waiting list.

Senate: $20,000,000

54 Child Care Subsidy

Provides funding to maintain existing caseload and remove 1,480 children from the waiting list. Additional funding in the Temporary Assistance for Needy Families (TANF) Block Grant for child care subsidy will remove 4,054 children from the waiting list.

House: $14,096,395

55 Smart Start

Provides funding for local Smart Start initiatives, including subsidized child care.

Senate: $14,000,000

56 Smart Start

Provides funding for local Smart Start initiatives, including subsidized child care. $400,000 shall be allocated to the North Carolina Partnership for Children, Inc., for operating support.

House: $7,000,000

$3,000,000 NR

57 Improve Regulatory Oversight

Provides funding to create 10 positions in the Division of Child Development's Licensing Unit. Additional staff will reduce caseloads and allow for more frequent monitoring visits.

House	Senate
$453,222	$453,222
10.00	10.00
$12,291 NR	$12,291 NR

58	**T.E.A.C.H. Program** Provides funding to the North Carolina T.E.A.C.H. Early Childhood® Project.	$1,000,000 NR	$1,000,000 NR

(9.0) Division of Education Services

59	**Early Intervention Teachers for the Deaf and Hard of Hearing** Provides funding to create eight additional teaching positions in the Early Intervention Program for Children who are Deaf or Hard of Hearing Program.	$293,493 8.00	$293,493 8.00
60	**Early Intervention Teachers for the Blind and Visually Impaired** Provides funding for five additional teaching positions and one Orientation and Mobility Specialist at the Governor Morehead School for the Blind's Preschool.	$233,533 6.00	$233,533 6.00
61	**Language Interpreters** Provides funding to create one language interpreter position at the North Carolina School for the Deaf in Morganton, one language interpreter position at the Governor Morehead School in Raleigh, and two language interpreter positions in the Early Intervention Program for Deaf and Hard of Hearing.	$121,771 4.00	$121,771 4.00
62	**Dormitory Supervisors at North Carolina School for the Deaf in Morganton** Provides funding to create two additional Residential Life Attendants for the North Carolina School for the Deaf in Morganton.	$39,730 2.00	$39,730 2.00
63	**Housekeeper at North Carolina School for the Deaf in Morganton** Provides funding to create one additional housekeeping staff at the North Carolina School for the Deaf in Morganton.	$20,358 1.00	$20,358 1.00
64	**Behavior Specialists for Eastern North Carolina School for the Deaf** Provides funding for two additional Behavior Programming Technicians at the Eastern North Carolina School for the Deaf for the Positive Behavior Support Program.	$45,663 2.00	$45,663 2.00

65	**Telemedicine for Children in Residential Schools** Provides funding to implement telemedicine programs at the Western North Carolina School for the Deaf in Morganton and the Governor Morehead School for the Blind in Raleigh.	$24,000 $50,000	NR	$24,000 $50,000	NR
66	**Beginnings for Parents of Children Who Are Deaf or Hard of Hearing, Inc.** Provides funding for family support services.	$168,235	NR		

(10.0) Division of Social Services

67	**Work First Cash Assistance** Reduces funding for Work First Cash Assistance payments for Fiscal Year 2006-07.	($2,287,393)	NR		
68	**Foster Care and Adoption Assistance Payments** Provides funding to support the increased cost of the Foster Care and Adoption Assistance Programs.	$10,206,898		$10,206,898	
69	**Federal Budget Impact on Foster Care Services** Provides funding to support the projected cost of additional foster care maintenance payments to be made to people caring for their relatives' children who choose to become licensed.	$2,040,755		$2,040,755	
70	**Paternity Testing for Child Support Enforcement** Provides funding to support the loss of federal funds for paternity testing expenses.	$151,500		$151,500	
71	**Child and Family Teams** Provides funding for positions to facilitate Child and Family Team meetings in county DSS's that will support the statewide implementation of the Multiple Response System.	$420,804			
72	**Food Banks** Provides funding to be equally distributed to the regional network of food banks in North Carolina.	$1,000,000	NR	$400,000	NR

		House FY 06-07	Senate FY 06-07
73	**State/County Special Assistance Rate Adjustment** Provides funding for an increase in the State/County Special Assistance monthly rate from $1,118 per month to $1,148 per month effective October 1, 2006.	$3,500,000	
74	**Child Support Enforcement Call Center** Provides funding to replace the Voice Response Unit and upgrade the telephone system for the Child Support Enforcement Call Center in Martin County.	$2,287,393 NR	

(11.0) Division of Aging and Adult Services

		House FY 06-07	Senate FY 06-07
75	**Home and Community Care Block Grant** Provides funding for the Home and Community Care Block Grant Program.	$4,005,879	$3,000,000
76	**LTC Ombudsman Positions** Provides funding for ten long-term care ombudsman positions including benefits and travel.	$492,136 10.00	
77	**Adult Day Care Rates** Provides funding to increase the daily rates for adult day care and adult day health care programs by $5.00. $556,556 will be allocated to the State Adult Day Care Fund and $487,194 shall be allocated to the Home and Community Care Block Grant Program.	$1,043,750	

(12.0) Office of the Secretary

		House FY 06-07	Senate FY 06-07
78	**Transfer More At Four Program to DPI** Transfers funding for the More At Four program to the Department of Public Instruction.		($66,646,653)
79	**More at Four** Transfers $66,646,653 in receipts from the NC Education Lottery Fund to the More At Four program.	($66,646,653)	

80 More at Four Expansion

Authorizes use of $17,989,056 in receipts from the NC Education Lottery Fund to support the following program expansions: creation of 3,200 additional program slots; increased funding of $200 per slot for all 18,653 slots; and establishment of three new staff positions - an Educational Development & Planning Consultant II, an Educational Consultant II, and an Education Processing Assistant who will perform monitoring and technical assistance functions.

81 Utility and Fuel Cost Reserve

Provides funding to support the increased cost of utility services and fuel for state institutions operated by the Department of Health and Human Services.

	$800,000 NR	$1,271,533 NR

82 MMIS Implementation

Transfers funding from the G.S 143-23.2 reserve to continue to fund the state share of implementing the new Medicaid Management System (MMIS).

Total Requirements	$5,004,504
Transfer From Medicaid Reserve Fund	($5,004,504)
State Appropriation	0

83 Public Awareness of Safe Surrender of Infants Campaign

Provides funding to inform the public of the Safe Surrender Act (S.L.2001-291).

	$100,000 NR

84 Psychiatrist Access

Provides funding to improve psychiatrist access for public consumers. Additionally, $2,000,000 in non-recurring funds are appropriated in the Mental Health Trust Fund for this purpose.

$3,000,000	

85 Strategic LME Team

Provides funding to be used for three positions to create a Local Management Entity (LME) Strategic Assistance Team. The Team shall assist LMEs develop, implement, and maintain their statutory responsibilities.

$300,000	
3.00	

86 Community Health Center Grants

Provides additional funding for grants-in-aid awarded through the Community Health Center Grant Program.

$3,000,000 NR	

Health and Human Services (Items in Controversy are Shaded)	House FY 06-07	Senate FY 06-07
87 **Rural Hospital Operations and Maintenance** Provides funding for small rural hospitals in need of assistance with operations and infrastructure maintenance.	$3,000,000 NR	
Department Totals	($54,607,289) 350.00 $24,814,026 NR	($79,091,554) 396.00 $12,809,824 NR

Attachment II

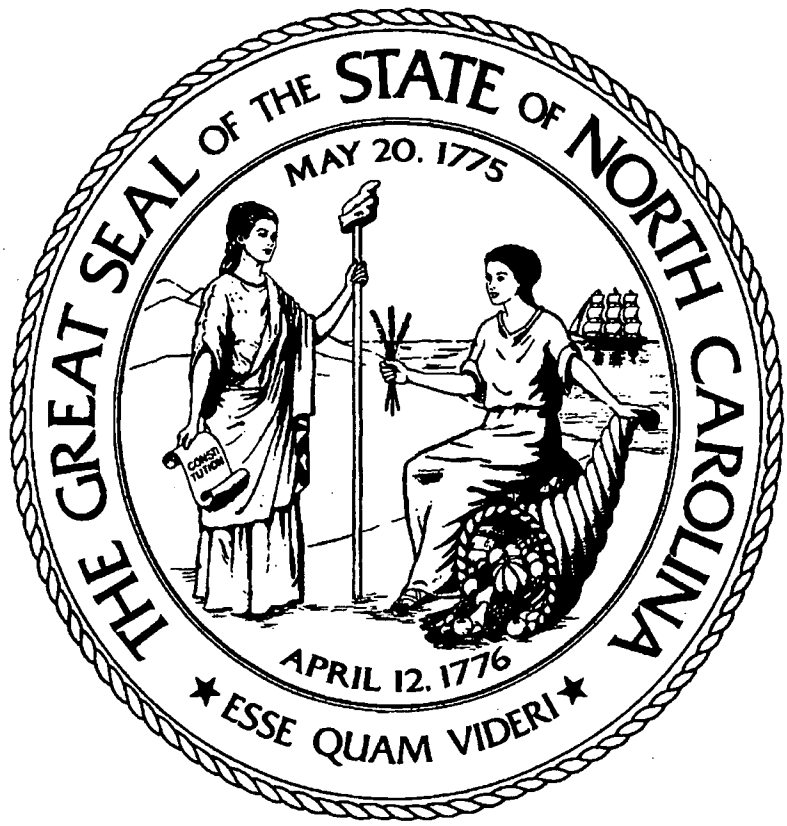
House/Senate Comparison Report on Mental Health-Related Items

	Item	Senate Budget				House Recommendations				Notes on Differences
		Division	Recurring	Non-Recurring	Total	Division	Recurring	Non-Recurring	Total	
1	Operating funds for ADATCs	MH/DD/SAS	5,191,815		5,191,815	MH/DD/SAS	3,969,719		3,969,719	Senate funds 3 centers' positions, House funds 2 centers' positions.
2	State service collars for Developmental Therapies for [redacted]ividuals with [redacted]evelopmental Disabilities	MH/DD/SAS	29,435,119		29,435,119	MH/DD/SAS	25,035,119	1,400,000	26,435,119	Senate agrees with Governor. House moved $3 million to pay for the CAP MR/DD slots.
3	State service dollars for Mental Health	MH/DD/SAS	8,000,000		8,000,000	MH/DD/SAS and Statewide Reserves	7,000,000	**1,500,000**	8,500,000	$1.5 m NR in House is in the Mental Health Trust Fund (MHTF)
4	State service dollars for Substance Abuse	MH/DD/SAS	8,000,000		8,000,000	MH/DD/SAS and Statewide Reserves	7,000,000	**1,500,000**	8,500,000	$1.5 m NR in House is in the MHTF
5	400 Apartment Initiative - funds for financing apartments	Housing Finance Agency		11,250,000	11,250,000	Housing Finance Agency	-	10,625,000	10,625,000	
6	400 Apartment Initiative - operating cost subsidy	MH/DD/SAS	1,205,000		1,205,000	Statewide Reserves		**1,205,000**	1,205,000	House amount is in the MHTF.
7	Supportive services funding [redacted]d start-up funding for HUD-[redacted]anced apartments and group homes	MH/DD/SAS	713,000	370,000	1,083,000	MH/DD/SAS	635,000	330,000	965,000	House based on revised information - 13 fewer apartments.
8	Undirected Mental Health Trust Fund	Statewide Reserves	9,390,000	5,000,000	14,390,000	Statewide Reserves		15,000,000	15,000,000	Senate budget diverts 5% of alcohol taxes on a recurring basis and also appropriates $5 m NR ($14.39 total). House appropriates all NR funds - $15m undirected and $9.205 directed - for a total of $24.205 million.
9	Funding to North Carolina AHEC Program to recruit psychiatrists	UNC System	1,000,000		1,000,000	UNC System		500,000	500,000	Senate - for recruitment, House - for training.
10	[redacted]art-up funding for crisis [redacted]ices	MH/DD/SAS		5,250,000	5,250,000	MH/DD/SAS		5,250,000	5,250,000	Same
11	State service dollars for crisis services	MH/DD/SAS	9,000,000		9,000,000	MH/DD/SAS and Statewide Reserves	5,000,000	**3,000,000**	8,000,000	(1) $3 m NR in House is in the MHTF. (2) Senate distributes on a per capita basis and House distributes the same way the MH and SA services dollars are distributed - based on population below the federal poverty level.

House/Senate Comparison Report on Mental Health-Related Items

	Item	Senate Budget				House Recommendations				Notes on Differences
		Division	Recurring	Non-Recurring	Total	Division	Recurring	Non-Recurring	Total	
12	Funding for psychiatrist access	MH/DD/SAS	9,000,000		9,000,000	Office of the Sec.	3,000,000	**2,000,000**	5,000,000	(1) Senate located in MH/DD/SA and House located in Office of Sec. (2) Senate distributes to LMEs on a per capita basis, House distributes to the Department for their plan address Psychiatrist Access.
13	Consultants	MH/DD/SAS		1,125,000	1,125,000	MH/DD/SAS		925,000	925,000	
14	Local Management Strategic Assistance Team	MH/DD/SAS	300,000		300,000	Office of the Sec.	300,000		300,000	Same except for the location of positions.
15	Child and Family Teams - LME Care Coordinators					MH/DD/SAS	523,638		523,638	
16	CAP MR/DD Slots					Medical Assistance	3,000,000		3,000,000	
17	TANF MH/SA Services Pilot					DSS		4,000,000	4,000,000	

Attachment III



SENATE AND HOUSE BUDGET ITEMS IN CONTROVERSY

DHHS

June 19, 2006

Prepared by Legislative Drafting Division

Senate Only

CHANGE REPORTING DATE OF AGING STUDY COMMISSION

SECTION 10.1. The third paragraph of Section 10.40A.(p) of S.L. 2005-276 reads as rewritten:

"**SECTION 10.40A.(p)**

...

The Department shall submit a progress report to the North Carolina Study Commission on Aging and to the Senate Appropriations Committee on Health and Human Services and to the House of Representatives Subcommittee on Health and Human Services on or before ~~April 1, 2006.~~January 1, 2007.

..."

Senate and House Differ

Senate Version

RATE SETTING FOR CHILD CARING INSTITUTIONS

SECTION 10.2.(a) Section 10.47(b) of S.L. 2005-276 is repealed.

SECTION 10.2.(b) G.S. 110-93.1 is repealed.

SECTION 10.2.(c) G.S. 143B-153(2)d. reads as rewritten:

"**§ 143B-153. Social Services Commission – creation, powers and duties.**

There is hereby created the Social Services Commission of the Department of Health and Human Services with the power and duty to adopt rules and regulations to be followed in the conduct of the State's social service programs with the power and duty to adopt, amend, and rescind rules and regulations under and not inconsistent with the laws of the State necessary to carry out the provisions and purposes of this Article. Provided, however, the Department of Health and Human Services shall have the power and duty to adopt rules and regulations to be followed in the conduct of the State's medical assistance program.

...

(2) The Social Services Commission shall have the power and duty to establish standards and adopt rules and regulations:

...

d. For the payment of State funds to private child-placing agencies as defined in G.S. 131D-10.2(4) and residential child care facilities as defined in G.S. 131D-10.2(13) for care and services provided to children who are in the custody or placement responsibility of a county department of social ~~services;~~ ~~and~~services. The Commission shall establish standardized rates for child caring institutions in this State, which rates shall be updated annually on July 1. Rate-setting recommendations provided by the Office of the State Auditor shall be incorporated into the Department of Social Services' rate-setting methodology; and Tech

...

...."

SECTION 10.2.(d) The effective date for establishing standardized rates for child caring institutions in this State, as enacted in subsection (c) of this section, shall be July 1, 2007.

House Version

RATE SETTING FOR CHILD CARING INSTITUTIONS

SECTION 10.2.(a) Section 10.47(b) of S.L. 2005-276 is repealed.

SECTION 10.2.(b) G.S. 110-93.1 is repealed.

SECTION 10.2.(c) G.S. 143B-153(2)d. reads as rewritten:

"**§ 143B-153. Social Services Commission – creation, powers and duties.**

There is hereby created the Social Services Commission of the Department of Health and Human Services with the power and duty to adopt rules and regulations to be followed in the conduct of the State's social service programs with the power and duty to adopt, amend, and rescind rules and regulations under and not inconsistent with the laws of the State necessary to carry out the provisions and purposes of this Article. Provided, however, the Department of Health and Human Services shall have the power and duty to adopt rules and regulations to be followed in the conduct of the State's medical assistance program.

...

(2) The Social Services Commission shall have the power and duty to establish standards and adopt rules and regulations:

...

d. For the payment of State funds to private child-placing agencies as defined in G.S. 131D-10.2(4) and residential child care facilities as defined in G.S. 131D-10.2(13) for care and services provided to children who are in the custody or placement responsibility of a county department of social ~~services; and~~services. The Commission shall establish standardized rates for child caring institutions in this State, which rates shall be updated annually on July 1. Rate-setting recommendations provided by the Office of the State Auditor shall be incorporated into the Department of Health and Human Services' rate-setting methodology; and

...

...."

SECTION 10.2.(d) The effective date for establishing standardized rates for child caring institutions in this State, as enacted in subsection (c) of this section, shall be July 1, 2007.

Tech

Senate and House Differ

Senate Version

MEDICAID

SECTION 10.3. Section 10.11 of S.L. 2005-276 reads as rewritten:

"SECTION 10.11.(a) Use of Funds, Allocation of Costs, Other Authorizations.

(1) Use of Funds. – Funds appropriated in this act for services provided in accordance with Title XIX of the Social Security Act (Medicaid) are for both the categorically needy and the medically needy.

(2) Allocation of Nonfederal Cost of Medicaid. – The State shall pay eighty-five percent (85%); the county shall pay fifteen percent (15%) of the nonfederal costs of all applicable services listed in this section. In addition, the State shall pay eighty-five percent (85%); the county shall pay fifteen percent (15%) of the federal Medicare Part D clawback payments under the Medicare Modernization Act of 2004.

County Share Issue

(3) Funds for Development and Acquisition of Equipment and Software. – If first approved by the Office of State Budget and Management, the Division of Medical Assistance, Department of Health and Human Services, may use funds that are identified to support the cost of development and acquisition of equipment and software through contractual means to improve and enhance information systems that provide management information and claims processing. The Department of Health and Human Services shall identify adequate funds to support the implementation and first year's operational costs that exceed the currently allocated funds for the new contract for the fiscal agent for the Medicaid Management Information System.

(4) Reports. – Unless otherwise provided, whenever the Department of Health and Human Services is required by this section to report to the General Assembly, the report shall be submitted to the House of Representatives Appropriations Subcommittee for Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division of the Legislative Services Office. Reports shall be submitted on the date provided in the reporting requirement.

SECTION 10.11.(b) Policy. –

(1) Volume purchase plans and single source procurement. – The Department of Health and Human Services, Division of Medical Assistance, may, subject to the approval of a change in the State Medicaid Plan, contract for services, medical equipment, supplies, and appliances by implementation of volume purchase plans, single source procurement, or other contracting processes in order to improve cost containment.

(2) Cost-containment programs. – The Department of Health and Human Services, Division of Medical Assistance, may undertake cost-containment programs, including contracting for services, preadmissions to hospitals, and prior approval for certain outpatient surgeries before they may be performed in an inpatient setting.

(3) Fraud and abuse. –

a. The Division of Medical Assistance, Department of Health and Human Services, may provide incentives to counties that successfully recover fraudulently spent Medicaid funds by sharing State savings with counties responsible for the recovery of the fraudulently spent funds.

b. For the purposes of investigating and reducing client fraud and abuse, the Department of Health and Human Services, Division of Medical Assistance, shall, unless prohibited by federal law, include in the Medicaid enrollment process the requirement that the applicant for Medicaid consent to or authorize in writing the release of the applicant's medical records for the three years immediately preceding the application for Medicaid benefits. The Department shall obtain and use information from the applicant's medical records in a manner and form that complies with the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), P.L. 104-191, as amended, and that protects the privacy of the information as required by other applicable federal or State law. In addition to fraud and abuse detection, the Department may require the applicant's consent for other purposes permitted by HIPAA and required or authorized by other applicable federal or State law.

(4) Medical policy. –

Unless required for compliance with federal law, the Department shall not change medical policy affecting the amount, sufficiency, duration, and scope of health care services and who may provide services until the Division of Medical Assistance has prepared a five-year fiscal analysis documenting the increased cost of the proposed change in medical policy and submitted it for Departmental review. If the fiscal impact indicated by the fiscal analysis for any proposed medical policy change exceeds three million dollars ($3,000,000) in total requirements for a given fiscal year, then the Department shall submit the proposed policy change with the fiscal analysis to the Office of State Budget and Management and the Fiscal Research Division. The Department shall not implement any proposed medical policy change exceeding three million dollars ($3,000,000) in total requirements for a given fiscal year unless the source of State funding is identified and approved by the Office of State Budget and Management. The Department shall provide the Office of State Budget and Management

and the Fiscal Research Division a quarterly report itemizing all medical policy changes with total requirements of less than three million dollars ($3,000,000).

SECTION 10.11.(c) Eligibility. – Eligibility for Medicaid shall be determined in accordance with the following:

(1) Medicaid and Work First Family Assistance, Income Eligibility Standards. – The maximum net family annual income eligibility standards for Medicaid and Work First Family Assistance and the Standard of Need for Work First Family Assistance shall be as follows:

Categorically Needy-WFFA*		Medically Needy Families and Children	
Family Size	Standard Of Need	Income Level	AA,AB,AD*
1	$4,344	$2,172	$2,900
2	5,664	2,832	3,900
3	6,528	3,264	4,400
4	7,128	3,564	4,800
5	7,776	3,888	5,200
6	8,376	4,188	5,600
7	8,952	4,476	6,000
8	9,256	4,680	6,300

*Work First Family Assistance (WFFA); Aid to the Aged (AA); Aid to the Blind (AB); and Aid to the Disabled (AD).

The payment level for Work First Family Assistance shall be fifty percent (50%) of the standard of need.

These standards may be changed with the approval of the Director of the Budget with the advice of the Advisory Budget Commission.

(2) The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to all elderly, blind, and disabled people who have incomes equal to or less than one hundred percent (100%) of the federal poverty guidelines, as revised each April 1.

(3) The Department of Health and Human Services shall provide Medicaid to 19 and 20-year-olds in accordance with federal rules and regulations.

(4) Pregnant women and children. – The Department of Health and Human Services shall provide coverage to pregnant women and to children according to the following schedule:

a. Pregnant women with incomes equal to or less than one hundred eighty-five percent (185%) of the federal poverty

guidelines as revised each April 1 shall be covered for Medicaid benefits.

b. Effective January 1, 2006, infants under the age of one with family incomes equal to or less than two hundred percent (200%) of the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits.

c. Effective January 1, 2006, children aged one through five with family incomes equal to or less than two hundred percent (200%) of the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits.

d. Children aged six through 18 with family incomes equal to or less than the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits.

e. The Department of Health and Human Services shall provide Medicaid coverage for adoptive children with special or rehabilitative needs regardless of the adoptive family's income.

Services to pregnant women eligible under this subsection continue throughout the pregnancy but include only those related to pregnancy and to those other conditions determined by the Department as conditions that may complicate pregnancy. In order to reduce county administrative costs and to expedite the provision of medical services to pregnant women, to infants, and to children described in subdivisions (3) and (4) of this subsection, no resources test shall be applied.

(5) The Department of Health and Human Services shall provide Medicaid coverage for family planning services to men and women of childbearing age with family incomes equal to or less than one hundred eight-five percent (185%) of the federal poverty level.

(6) ICF and ICF/MR Work Incentive Allowances. – The Department of Health and Human Services may provide an incentive allowance to Medicaid-eligible recipients of ICF and ICF/MR services, who are regularly engaged in work activities as part of their developmental plan, and for whom retention of additional income contributes to their achievement of independence. The State funds required to match the federal funds that are required by these allowances shall be provided from savings within the Medicaid budget or from other unbudgeted funds available to the Department. The incentive allowances may be as follows:

Monthly Net Wages	**Monthly Incentive Allowance**
$1.00 to $100.99	Up to $50.00
$101.00 to $200.99	$80.00
$201.00 to $300.99	$130.00
$301.00 and greater	$212.00

(7) Medicaid enrollment of categorically needy families with children shall be continuous for one year without regard to changes in income or assets.

(8) For all Medicaid eligibility classifications for which the federal poverty level is used as an income limit for eligibility determination, the income limits will be updated each April 1 immediately following publication of federal poverty guidelines.

(9) When implementing the Supplemental Security Income (SSI) method for considering equity value of income producing property, the Department shall, to the maximum extent possible, employ procedures to mitigate the hardship to Medicaid enrollees occurring from application of the SSI method.

SECTION 10.11.(d) Services and Payment Bases. – Funds appropriated for Medicaid services shall be expended in accordance with the following schedule of services and payment bases. All services and payments are subject to the language at the end of this subsection. This subsection is divided into services that are mandated by federal law, and those that are optional under federal law. Unless otherwise provided, services and payment bases will be as prescribed in the State Plan as established by the Department of Health and Human Services and may be changed with the approval of the Director of the Budget.

Services and payment bases – Mandatory

(1) Hospital inpatient.

(2) Hospital outpatient. – Eighty percent (80%) of allowable costs or a prospective reimbursement plan as established by the Department of Health and Human Services.

(3) Nursing facilities. – Nursing facilities providing services to Medicaid recipients who also qualify for Medicare must be enrolled in the Medicare program as a condition of participation in the Medicaid program. State facilities are not subject to the requirement to enroll in the Medicare program. Residents of nursing facilities who are eligible for Medicare coverage of nursing facility services must be placed in a Medicare-certified bed. Medicaid shall cover facility services only after the appropriate services have been billed to Medicare. The Division of Medical Assistance shall allow nursing facility providers sufficient time from the effective date of this act to certify additional Medicare beds if necessary. In determining the date that the requirements of this subdivision become effective, the Division of Medical Assistance shall consider the regulations governing certification of Medicare beds and the length of time required for this process to be completed.

(4) Physicians, certified nurse midwife services, nurse practitioners. – Fee schedules as development by the Department of Health and Human Services.

(5) Community Alternative Program, EPSDT Screens. – Payments in accordance with rate schedule developed by the Department of Health and Human Services.

(6) Home health and related services, durable medical equipment. – Payments according to reimbursement plans developed by the Department of Health and Human Services.

(7) Hearing aids. – Wholesale cost plus dispensing fee to provider.

(8) Rural health clinical services. – Provider-based, reasonable cost; non-provider-based, single–cost reimbursement rate per clinic visit.

(9) Family planning. – Negotiated rate for local health departments. For other providers see specific services, e.g. hospitals, physicians.

(10) Independent laboratory and X-ray services. – Uniform fee schedules as developed by the Department of Health and Human Services.

(11) Ambulatory surgical centers.

Services and payment bases – Optional

(12) Private duty nursing, clinic services, prepaid health plans.

(13) Intermediate care facilities for the mentally retarded.

(14) Chiropractors, podiatrists, optometrists, dentists.

(15) Limitations on Dental Coverage. – Dental services shall be provided on a restricted basis in accordance with criteria adopted by the Department to implement this subsection.

(16) Medicare Buy-In. – Social Security Administration premium.

(17) Ambulance services. – Uniform fee schedules as developed by the Department of Health and Human Services. Public ambulance providers will be reimbursed at cost.

(18) Optical supplies. – Payment for materials is made to a contractor in accordance with 42 C.F.R. § 431.54(d). Fees paid to dispensing providers are negotiated fees established by the State agency based on industry charges.

(19) Medicare crossover claims. – The Department shall apply Medicaid medical policy to Medicare claims for dually eligible recipients. The Department shall pay an amount up to the actual coinsurance or deductible or both, in accordance with the State Plan, as approved by the Department of Health and Human Services.

(20) Physical therapy and speech therapy. – Services limited to EPSDT-eligible children. Payments are to be made only to qualified providers at rates negotiated by the Department of Health and Human Services. Physical therapy (including occupational therapy) and speech therapy services are subject to prior approval and utilization review.

(21) Personal care services.

(22) Case management services. – Reimbursement in accordance with the availability of funds to be transferred within the Department of Health and Human Services.

(23) Hospice.

(24) Medically necessary prosthetics or orthotics. – In order to be eligible for reimbursement, providers must be Board certified. Medically necessary prosthetics and orthotics are subject to prior approval and utilization review.

(25) Health insurance premiums.

(26) Medical care/other remedial care. – Services not covered elsewhere in this section include related services in schools; health professional services provided outside the clinic setting to meet maternal and infant health goals; and services to meet federal EPSDT mandates.

(27) Pregnancy-related services. – Covered services for pregnant women shall include nutritional counseling, psychosocial counseling, and predelivery and postpartum home visits by maternity care coordinators and public health nurses.

(28) Drugs. – Reimbursements. Reimbursements shall be available for prescription drugs as allowed by federal regulations plus a professional services fee per month, excluding refills for the same drug or generic equivalent during the same month. Payments for drugs are subject to the provisions of this subdivision or in accordance with the State Plan adopted by the Department of Health and Human Services, consistent with federal reimbursement regulations. Payment of the professional services fee shall be made in accordance with the State Plan adopted by the Department of Health and Human Services, consistent with federal reimbursement regulations. The professional services fee shall be five dollars and sixty cents ($5.60) per prescription for generic drugs and four dollars ($4.00) per prescription for brand-name drugs. Adjustments to the professional services fee shall be established by the General Assembly. In addition to the professional services fee, the Department may pay an enhanced fee for pharmacy services.

Limitations on quantity. – The Department of Health and Human Services may establish authorizations, limitations, and reviews for specific drugs, drug classes, brands, or quantities in order to manage effectively the Medicaid pharmacy program, except that the Department shall not impose limitations on brand-name medications for which there is a generic equivalent in cases where the prescriber has determined, at the time the drug is prescribed, that the brand-name drug is medically necessary and has written on the prescription order the phrase "medically necessary". In addition to the entities listed in subsection (a) of this section, the Department shall report to the Joint Legislative Commission on Governmental Operations on authorizations, limitations, and reviews established under this subparagraph, including limitations on monthly brand-name and generic prescriptions as well as restrictions on the total number of medications. The Department shall submit the report not later than May 1, 2006.

Dispensing of generic drugs. – Notwithstanding G.S. 90-85.27 through G.S. 90-85.31, or any other law to the contrary, under the Medical Assistance Program (Title XIX of the Social Security Act), and except as otherwise provided in this subsection for atypical antipsychotic drugs and drugs listed in the narrow therapeutic index, a prescription order for a drug designated by a trade or brand name shall be considered to be an order for the drug by its established or generic name, except when the prescriber has determined, at the time the drug is prescribed, that the brand-name drug is medically necessary and has written on the prescription order the phrase "medically necessary". An initial prescription order for an atypical antipsychotic drug or a drug listed in the narrow therapeutic drug index that does not contain the phrase "medically necessary" shall be considered an order for the drug by its established or generic name, except that a pharmacy shall not substitute a generic or established name prescription drug for subsequent brand or trade name prescription orders of the same prescription drug without explicit oral or written approval of the prescriber given at the time the order is filled. Generic drugs shall be dispensed at a lower cost to the Medical Assistance Program rather than trade or brand-name drugs. As used in this subsection, "brand name" means the proprietary name the manufacturer places upon a drug product or on its container, label, or wrapping at the time of packaging; and "established name" has the same meaning as in section 502(e)(3) of the Federal Food, Drug, and Cosmetic Act as amended, 21 U.S.C. § 352(e)(3).

Prior authorization. – The Department of Health and Human Services shall not impose prior authorization requirements or other restrictions under the State Medical Assistance Program on medications prescribed for Medicaid recipients for the treatment of: (i) mental illness, including, but not limited to, medications for schizophrenia, bipolar disorder, and major depressive disorder, or (ii) HIV/AIDS.

(29) Other mental health services. – Unless otherwise covered by this section, coverage is limited to:

a. Services as defined by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services and approved by the Centers for Medicare and Medicaid Services (CMS) when provided in agencies meeting the requirements of the rules established by the Commission for Mental Health, Developmental Disabilities, and Substance Abuse Services and reimbursement is made in accordance with a State Plan developed by the Department of Health and Human Services not to exceed the upper limits established in federal regulations, and

b. For children eligible for EPSDT services provided by:

1. Licensed or certified psychologists, licensed clinical social workers, certified clinical nurse specialists in psychiatric mental health advanced practice, nurse practitioners certified as clinical nurse specialists in psychiatric mental health advanced practice, licensed psychological associates, licensed professional counselors, licensed marriage and family therapists, certified clinical addictions specialists, and certified clinical supervisors, when Medicaid-eligible children are referred by the Community Care of North Carolina primary care physician, a Medicaid-enrolled psychiatrist, or the area mental health program or local management entity, and

2. Institutional providers of residential services as defined by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services and approved by the Centers for Medicare and Medicaid Services (CMS) for children and Psychiatric Residential Treatment Facility services that meet federal and State requirements as defined by the Department.

c. For Medicaid-eligible adults, services provided by licensed or certified psychologists, licensed clinical social workers, certified clinical nurse specialists in psychiatric mental health advanced practice, and nurse practitioners certified as clinical nurse specialists in psychiatric mental health advanced practice, licensed psychological associates, licensed professional counselors, licensed marriage and family therapists, licensed clinical addictions specialists, and licensed clinical supervisors, Medicaid-eligible adults may be self-referred.

d. Payments made for services rendered in accordance with this subdivision shall be to qualified providers in accordance with approved policies and the State Plan. Nothing in sub-subdivision b. or c. of this subdivision shall be interpreted to modify the scope of practice of any service provider, practitioner, or licensee, nor to modify or attenuate any collaboration or supervision requirement related to the professional activities of any service provider, practitioner, or licensee. Nothing in sub-subdivision b. or c. of this subdivision shall be interpreted to require any private health insurer or health plan to make direct third-party reimbursements or payments to any service provider, practitioner, or licensee.

e. The Department of Health and Human Services shall not enroll licensed psychological associates, licensed professional counselors, licensed marriage and family therapists, licensed

clinical addiction specialists, and licensed clinical supervisors until all of the following conditions have been met:

1. The fiscal impact of payments to these qualified providers has been projected;
2. Funding for any projected requirements in excess of budgeted Division of Medical Assistance funding has been identified from within State funds appropriated to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to support area mental health programs or county programs, or identified from other sources; and
3. Approval has been obtained from the Office of State Budget and Management to transfer these State or other source funds from the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to the Division of Medical Assistance. Upon approval and implementation, the Department of Health and Human Services shall, on a quarterly basis, provide a status report to the Office of State Budget and Management and the Fiscal Research Division.

Notwithstanding G.S. 150B-21.1(a), the Department of Health and Human Services may adopt temporary rules in accordance with Chapter 150B of the General Statutes further defining the qualifications of providers and referral procedures in order to implement this subdivision. Coverage policy for services defined by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services under sub-subdivisions a. and b.2 of this subdivision shall be established by the Division of Medical Assistance.

SECTION 10.11.(e) Limitations on payments. –

(1) Payment is limited to Medicaid-enrolled providers that purchase a performance bond in an amount not to exceed one hundred thousand dollars ($100,000) naming as beneficiary the Department of Health and Human Services, Division of Medical Assistance, or provide to the Department a validly executed letter of credit or other financial instrument issued by a financial institution or agency honoring a demand for payment in an equivalent amount. The Department may waive or limit the requirements of this paragraph for one or more classes of Medicaid-enrolled providers based on the provider's dollar amount of monthly billings to Medicaid or the length of time the provider has been licensed in this State to provide services. In waiving or limiting requirements of this paragraph, the Department shall take into consideration the potential fiscal impact of the waiver or limitation on the State Medicaid Program. The Department may adopt

temporary rules in accordance with G.S. 150B-21.1 as necessary to implement this provision.

(2) Reimbursement is available and may be limited in accordance with federal EPSDT requirements to any one or combination of the following: physicians, clinics, hospital outpatient, optometrists, chiropractors, and podiatrists. Prenatal services, all EPSDT children, emergency rooms, and mental health services subject to independent utilization review are exempt from the visit limitations contained in this paragraph. Exceptions may be authorized by the Department of Health and Human Services where the life of the patient would be threatened without such additional care.

SECTION 10.11.(f) Exceptions and limitations on services; authorization of co-payments and other services.

(1) Exceptions to Service Limitations, Eligibility Requirements, and Payments. – Service limitations, eligibility requirements, and payments bases in this section may be waived by the Department of Health and Human Services, with the approval of the Director of the Budget, to allow the Department to carry out pilot programs for prepaid health plans, contracting for services, managed care plans, or community-based services programs in accordance with plans approved by the United States Department of Health and Human Services or when the Department determines that such a waiver will result in a reduction in the total Medicaid costs for the recipient. The Department of Health and Human Services may proceed with planning and development work on the Program of All-Inclusive Care for the Elderly.

(2) Co-Payment for Medicaid Services. – The Department of Health and Human Services may establish co-payments up to the maximum permitted by federal law and regulation and required by this subsection in order to achieve reductions in the budget in fiscal years 2005-2006 and 2006-2007.

(3) The Department of Health and Human Services shall provide Medicaid coverage for family planning services to men and women of childbearing age with family incomes equal to or less than one hundred eighty-five percent (185%) of the federal poverty level. Of the funds appropriated in this act to the Division of Medical Assistance, the sum of seven hundred fifty thousand dollars ($750,000) for the 2005-2006 fiscal year shall be used to provide the State-match for the family planning demonstration waiver approved by the federal government.

SECTION 10.11.(g) Rules, Reports, and Other Matters. –

(1) Rules. – The Department of Health and Human Services may adopt temporary or emergency rules according to the procedures established in G.S. 150B-21.1 and G.S. 150B-21.1A when it finds that these rules

are necessary to maximize receipt of federal funds within existing State appropriations, to reduce Medicaid expenditures, and to reduce fraud and abuse. Prior to the filing of these temporary or emergency rules with the Rules Review Commission and the Office of Administrative Hearings, the Department shall consult with the Office of State Budget and Management on the possible fiscal impact of the temporary or emergency rule and its effect on State appropriations and local governments.

(2) Changes to Medicaid program; reports. – The Department shall report on any change it anticipates making in the Medicaid program that impacts the type or level of service, reimbursement methods, or waivers, any of which require a change in the State Plan or other approval by the Centers for Medicare and Medicaid Services (CMS). The reports shall be provided at the same time they are submitted to CMS for approval. In addition to the entities listed in subsection (a)(4) of this section, the report shall be submitted to the Joint Legislative Health Care Oversight Committee."

~~**SECTION 10.11.(a)** Funds appropriated in this act for services provided in accordance with Title XIX of the Social Security Act (Medicaid) are for both the categorically needy and the medically needy. Funds appropriated for these services shall be expended in accordance with the following schedule of services and payment bases. All services and payments are subject ot the language at the end of this subsection.~~

~~Services and payment bases:~~

~~(1) Hospital inpatient. Payment for hospital inpatient services will be prescribed in the State Plan as established by the Department of Health and Human Services.~~

~~(2) Hospital outpatient. Eighty percent (80%) of allowable costs or a prospective reimbursement plan as established by the Department of Health and Human Services.~~

~~(3) Nursing facilities. Payment for nursing facility services will be prescribed in the State Plan as established by the Department of Health and Human Services. Nursing facilities providing services to Medicaid recipients who also qualify for Medicare must be enrolled in the Medicare program as a condition of participation in the Medicaid program. State facilities are not subject to the requirement to enroll in the Medicare program. Residents of nursing facilities who are eligible for Medicare coverage of nursing facility services must be placed in a Medicare certified bed. Medicaid shall cover facility services only after the appropriate services have been billed to Medicare. The Division of Medical Assistance shall allow nursing facility providers sufficient time from the effective date of this act to certify additional Medicare beds if necessary. In determining the date that the requirements of this subdivision become effective, the Division of~~

~~Medical Assistance shall consider the regulations governing certification of Medicare beds and the length of time required for this process to be completed.~~

~~(4) Intermediate care facilities for the mentally retarded. As prescribed in the State Plan as established by the Department of Health and Human Services.~~

~~(5) Drugs. Reimbursements. Reimbursements shall be available for prescription drugs as allowed by federal regulations plus a professional services fee per month, excluding refills for the same drug or generic equivalent during the same month. Payments for drugs are subject to the provisions of this subdivision or in accordance with the State Plan adopted by the Department of Health and Human Services, consistent with federal reimbursement regulations. Payment of the professional services fee shall be made in accordance with the State Plan adopted by the Department of Health and Human Services, consistent with federal reimbursement regulations. The professional services fee shall be five dollars and sixty cents ($5.60) per prescription for generic drugs and four dollars ($4.00) per prescription for brand name drugs. Adjustments to the professional services fee shall be established by the General Assembly. In addition to the professional services fee, the Department may pay an enhanced fee for pharmacy services.~~

~~Limitations on quantity. The Department of Health and Human Services may establish authorizations, limitations, and reviews for specific drugs, drug classes, brands, or quantities in order to manage effectively the Medicaid pharmacy program, except that the Department shall not impose limitations on brand name medications for which there is a generic equivalent in cases where the prescriber has determined, at the time the drug is prescribed, that the brand name drug is medically necessary and has written on the prescription order the phrase "medically necessary". The Department shall report 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 on authorizations, limitations, and reviews established under this subparagraph, including limitations on monthly brand name and generic prescriptions as well as restrictions on the total number of medications. The Department shall submit the report not later than May 1, 2006.~~

~~Dispensing of generic drugs. Notwithstanding G.S. 90-85.27 through G.S. 90-85.31, or any other law to the contrary, under the Medical Assistance Program (Title XIX of the Social Security Act), and except as otherwise provided in this subsection for atypical antipsychotic drugs and drugs listed in the narrow therapeutic index, a prescription order for a drug designated by a trade or brand name shall~~

~~be considered to be an order for the drug by its established or generic name, except when the prescriber has determined, at the time the drug is prescribed, that the brand name drug is medically necessary and has written on the prescription order the phrase "medically necessary". An initial prescription order for an atypical antipsychotic drug or a drug listed in the narrow therapeutic drug index that does not contain the phrase "medically necessary" shall be considered an order for the drug by its established or generic name, except that a pharmacy shall not substitute a generic or established name prescription drug for subsequent brand or trade name prescription orders of the same prescription drug without explicit oral or written approval of the prescriber given at the time the order is filled. Generic drugs shall be dispensed at a lower cost to the Medical Assistance Program rather than trade or brand name drugs. As used in this subsection, "brand name" means the proprietary name the manufacturer places upon a drug product or on its container, label, or wrapping at the time of packaging; and "established name" has the same meaning as in section 502(e)(3) of the Federal Food, Drug, and Cosmetic Act as amended, 21 U.S.C. § 352(e)(3).~~

~~Prior authorization. The Department of Health and Human Services shall not impose prior authorization requirements or other restrictions under the State Medical Assistance Program on medications prescribed for Medicaid recipients for the treatment of: (i) mental illness, including, but not limited to, medications for schizophrenia, bipolar disorder, and major depressive disorder, or (ii) HIV/AIDS.~~

~~(6) Physicians, chiropractors, podiatrists, optometrists, dentists, certified nurse midwife services, nurse practitioners. Fee schedules as developed by the Department of Health and Human Services. Payments for dental services are subject to the provisions of subsection (g) of this section.~~

~~(7) Community Alternative Program, EPSDT screens. Payment to be made in accordance with the rate schedule developed by the Department of Health and Human Services.~~

~~(8) Home health and related services, private duty nursing, clinic services, prepaid health plans, durable medical equipment. Payment to be made according to reimbursement plans developed by the Department of Health and Human Services.~~

~~(9) Medicare Buy In. Social Security Administration premium.~~

~~(10) Ambulance services. Uniform fee schedules as developed by the Department of Health and Human Services. Public ambulance providers will be reimbursed at cost.~~

~~(11) Hearing aids. Wholesale cost plus a dispensing fee to the provider.~~

~~(12) Rural health clinic services. Provider-based, reasonable cost; nonprovider-based, single-cost reimbursement rate per clinic visit.~~

~~(13) Family planning. Negotiated rate for local health departments. For other providers, see specific services, for instance, hospitals, physicians.~~

~~(14) Independent laboratory and X-ray services. Uniform fee schedules as developed by the Department of Health and Human Services.~~

~~(15) Optical supplies. Payment for materials is made to a contractor in accordance with 42 C.F.R. § 431.54(d). Fees paid to dispensing providers are negotiated fees established by the State agency based on industry charges.~~

~~(16) Ambulatory surgical centers. Payment as prescribed in the reimbursement plan established by the Department of Health and Human Services.~~

~~(17) Medicare crossover claims. By not later than October 1, 2005, the Department shall apply Medicaid medical policy to Medicare claims for dually eligible recipients. The Department shall pay an amount up to the actual coinsurance or deductible or both, in accordance with the State Plan, as approved by the Department of Health and Human Services.~~

~~(18) Physical therapy and speech therapy. Services limited to EPSDT-eligible children. Payments are to be made only to qualified providers at rates negotiated by the Department of Health and Human Services. Physical therapy (including occupational therapy) and speech therapy services are subject to prior approval and utilization review.~~

~~(19) Personal care services. Payment in accordance with the State Plan approved by the Department of Health and Human Services.~~

~~(20) Case management services. Reimbursement in accordance with the availability of funds to be transferred within the Department of Health and Human Services.~~

~~(21) Hospice. Services may be provided in accordance with the State Plan developed by the Department of Health and Human Services.~~

~~(22) Other mental health services. Unless otherwise covered by this section, coverage is limited to:~~

~~a. Services as defined by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services and approved by the Centers for Medicare and Medicaid Services (CMS) when provided in agencies meeting the requirements of the rules established by the Commission for Mental Health, Developmental Disabilities, and Substance Abuse Services and reimbursement is made in accordance with a State Plan developed by the Department of Health and Human Services not to exceed the upper limits established in federal regulations, and~~

~~b. For children eligible for EPSDT services provided by:~~

~~1. Licensed or certified psychologists, licensed clinical social workers, certified clinical nurse specialists in psychiatric mental health advanced practice, nurse practitioners certified as clinical nurse specialists in psychiatric mental health advanced practice, licensed psychological associates, licensed professional counselors, licensed marriage and family therapists, certified clinical addictions specialists, and certified clinical supervisors, when Medicaid-eligible children are referred by the Community Care of North Carolina primary care physician, a Medicaid-enrolled psychiatrist, or the area mental health program or local management entity, and~~

~~2. Institutional providers of residential services as defined by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services and approved by the Centers for Medicare and Medicaid Services (CMS) for children and Psychiatric Residential Treatment Facility services that meet federal and State requirements as defined by the Department.~~

~~c. For Medicaid-eligible adults, services provided by licensed or certified psychologists, licensed clinical social workers, certified clinical nurse specialists in psychiatric mental health advanced practice, and nurse practitioners certified as clinical nurse specialists in psychiatric mental health advanced practice, licensed psychological associates, licensed professional counselors, licensed marriage and family therapists, certified clinical addictions specialists, and certified clinical supervisors, Medicaid-eligible adults may be self-referred.~~

~~d. Payments made for services rendered in accordance with this subdivision shall be to qualified providers in accordance with approved policies and the State Plan. Nothing in sub-subdivision b. or c. of this subdivision shall be interpreted to modify the scope of practice of any service provider, practitioner, or licensee, nor to modify or attenuate any collaboration or supervision requirement related to the professional activities of any service provider, practitioner, or licensee. Nothing in sub-subdivision b. or c. of this subdivision shall be interpreted to require any private health insurer or health plan to make direct third-party reimbursements or payments to any service provider, practitioner, or licensee.~~

~~e. The Department of Health and Human Services shall not enroll licensed psychological associates, licensed professional~~

~~counselors, licensed marriage and family therapists, certified clinical addiction specialists, and certified clinical supervisors until all of the following conditions have been met:~~

~~1. The fiscal impact of payments to these qualified providers has been projected;~~

~~2. Funding for any projected requirements in excess of budgeted Division of Medical Assistance funding has been identified from within State funds appropriated to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to support area mental health programs or county programs, or identified from other sources; and~~

~~3. Approval has been obtained from the Office of State Budget and Management to transfer these State or other source funds from the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to the Division of Medical Assistance. Upon approval and implementation, the Department of Health and Human Services shall, on a quarterly basis, provide a status report to the Office of State Budget and Management and the Fiscal Research Division.~~

~~Notwithstanding G.S. 150B-21.1(a), the Department of Health and Human Services may adopt temporary rules in accordance with Chapter 150B of the General Statutes further defining the qualifications of providers and referral procedures in order to implement this subdivision. Coverage policy for services defined by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services under sub-subdivisions a. and b.2 of this subdivision shall be established by the Division of Medical Assistance.~~

~~(23) Medically necessary prosthetics or orthotics. Reimbursement in accordance with the State Plan approved by the Department of Health and Human Services, except that in order to be eligible for reimbursement, providers must be Board certified not later than July 1, 2005. Medically necessary prosthetics and orthotics are subject to prior approval and utilization review.~~

~~(24) Health insurance premiums. Payments to be made in accordance with the State Plan adopted by the Department of Health and Human Services consistent with federal regulations.~~

~~(25) Medical care/other remedial care. Services not covered elsewhere in this section include related services in schools; health professional services provided outside the clinic setting to meet maternal and infant health goals; and services to meet federal EPSDT mandates. Services addressed by this subdivision are limited to those prescribed in the~~

State Plan as established by the Department of Health and Human Services.

(26) Pregnancy-related services. Covered services for pregnant women shall include nutritional counseling, psychosocial counseling, and predelivery and postpartum home visits by maternity care coordinators and public health nurses.

Services and payment bases may be changed with the approval of the Director of the Budget.

Payment is limited to Medicaid-enrolled providers that purchase a performance bond in an amount not to exceed one hundred thousand dollars ($100,000) naming as beneficiary the Department of Health and Human Services, Division of Medical Assistance, or provide to the Department a validly executed letter of credit or other financial instrument issued by a financial institution or agency honoring a demand for payment in an equivalent amount. The Department may waive or limit the requirements of this paragraph for one or more classes of Medicaid-enrolled providers based on the provider's dollar amount of monthly billings to Medicaid or the length of time the provider has been licensed in this State to provide services. In waiving or limiting requirements of this paragraph, the Department shall take into consideration the potential fiscal impact of the waiver or limitation on the State Medicaid Program. The Department may adopt temporary rules in accordance with G.S. 150B-21.1 as necessary to implement this provision.

Reimbursement is available for up to 24 visits per recipient per year to any one or combination of the following: physicians, clinics, hospital outpatient, optometrists, chiropractors, and podiatrists. Prenatal services, all EPSDT children, emergency rooms, and mental health services subject to independent utilization review are exempt from the visit limitations contained in this paragraph. Exceptions may be authorized by the Department of Health and Human Services where the life of the patient would be threatened without such additional care.

SECTION 10.11.(b) Allocation of Nonfederal Cost of Medicaid. The State shall pay eighty-five percent (85%); the county shall pay fifteen percent (15%) of the nonfederal costs of all applicable services listed in this section. In addition, the State shall pay eighty-five percent (85%); the county shall pay fifteen percent (15%) of the federal Medicare Part D clawback payments under the Medicare Modernization Act of 2004.

SECTION 10.11.(c) Co-Payment for Medicaid Services. The Department of Health and Human Services may establish co-payments up to the maximum permitted by federal law and regulation and required by this subsection in order to achieve reductions in the budget in fiscal years 2005-2006 and 2006-2007.

SECTION 10.11.(d) Medicaid and Work First Family Assistance, Income Eligibility Standards. The maximum net family annual income eligibility standards for Medicaid and Work First Family Assistance and the Standard of Need for Work First Family Assistance shall be as follows:

Categorically Needy	Medically Needy

Family Size	WFFA* Standard of Need	Families and Children Income Level	AA, AB, AD*
1	$4,344	$2,172	$2,900
2	5,664	2,832	3,800
3	6,528	3,264	4,400
4	7,128	3,564	4,800
5	7,776	3,888	5,200
6	8,376	4,188	5,600
7	8,952	4,476	6,000
8	9,256	4,680	6,300

*Work First Family Assistance (WFFA); Aid to the Aged (AA); Aid to the Blind (AB); and Aid to the Disabled (AD).

The payment level for Work First Family Assistance shall be fifty percent (50%) of the standard of need.

These standards may be changed with the approval of the Director of the Budget with the advice of the Advisory Budget Commission.

SECTION 10.11.(e) The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to all elderly, blind, and disabled people who have incomes equal to or less than one hundred percent (100%) of the federal poverty guidelines, as revised each April 1. This subsection expires December 31, 2005.

SECTION 10.11.(f) ICF and ICF/MR Work Incentive Allowances. The Department of Health and Human Services may provide an incentive allowance to Medicaid eligible recipients of ICF and ICF/MR facilities who are regularly engaged in work activities as part of their developmental plan and for whom retention of additional income contributes to their achievement of independence. The State funds required to match the federal funds that are required by these allowances shall be provided from savings within the Medicaid budget or from other unbudgeted funds available to the Department. The incentive allowances may be as follows:

Monthly Net Wages	Monthly Incentive Allowance
$1.00 to $100.99	Up to $50.00
$101.00 to $200.99	$80.00
$201.00 to $300.99	$130.00
$301.00 and greater	$212.00.

SECTION 10.11.(g) Dental Coverage Limits. Dental services shall be provided on a restricted basis in accordance with rules adopted by the Department to implement this subsection.

SECTION 10.11.(h) Exceptions to Service Limitations, Eligibility Requirements, and Payments. Service limitations, eligibility requirements, and payments bases in this section may be waived by the Department of Health and Human

~~Services, with the approval of the Director of the Budget, to allow the Department to carry out pilot programs for prepaid health plans, contracting for services, managed care plans, or community based services programs in accordance with plans approved by the United States Department of Health and Human Services or when the Department determines that such a waiver will result in a reduction in the total Medicaid costs for the recipient. The Department of Health and Human Services may proceed with planning and development work on the Program of All-Inclusive Care for the Elderly.~~

~~**SECTION 10.11.(i)** Volume Purchase Plans and Single Source Procurement. The Department of Health and Human Services, Division of Medical Assistance, may, subject to the approval of a change in the State Medicaid Plan, contract for services, medical equipment, supplies, and appliances by implementation of volume purchase plans, single source procurement, or other contracting processes in order to improve cost containment.~~

~~**SECTION 10.11.(j)** Cost-Containment Programs. The Department of Health and Human Services, Division of Medical Assistance, may undertake cost-containment programs, including contracting for services, preadmissions to hospitals, and prior approval for certain outpatient surgeries before they may be performed in an inpatient setting.~~

~~**SECTION 10.11.(k)** For all Medicaid eligibility classifications for which the federal poverty level is used as an income limit for eligibility determination, the income limits will be updated each April 1 immediately following publication of federal poverty guidelines.~~

~~**SECTION 10.11.(l)** The Department of Health and Human Services shall provide Medicaid to 19-, 20-, and 21-year-olds in accordance with federal rules and regulations.~~

~~**SECTION 10.11.(m)** The Department of Health and Human Services shall provide coverage to pregnant women and to children according to the following schedule:~~

~~(1) Pregnant women with incomes equal to or less than one hundred eighty-five percent (185%) of the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits.~~

~~(2) Effective until January 1, 2006, infants under the age of one with family incomes equal to or less than one hundred eighty five percent (185%) of the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits. Effective January 1, 2006, infants under the age of one with family incomes equal to or less than two hundred percent (200%) of the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits.~~

~~(3) Effective until January 1, 2006, children aged one through five with family incomes equal to or less than one hundred thirty three percent (133%) of the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits. Effective January 1, 2006, children aged one through five with family incomes equal to or less than two~~

~~hundred percent (200%) of the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits.~~

~~(4) Children aged six through 18 with family incomes equal to or less than the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits.~~

~~(5) The Department of Health and Human Services shall provide Medicaid coverage for adoptive children with special or rehabilitative needs regardless of the adoptive family's income.~~

~~Services to pregnant women eligible under this subsection continue throughout the pregnancy but include only those related to pregnancy and to those other conditions determined by the Department as conditions that may complicate pregnancy. In order to reduce county administrative costs and to expedite the provision of medical services to pregnant women, to infants, and to children described in subdivisions (3) and (4) of this subsection, no resources test shall be applied.~~

~~**SECTION 10.11.(n)** Medicaid enrollment of categorically needy families with children shall be continuous for one year without regard to changes in income or assets.~~

~~**SECTION 10.11.(o)** The Division of Medical Assistance, Department of Health and Human Services, may provide incentives to counties that successfully recover fraudulently spent Medicaid funds by sharing State savings with counties responsible for the recovery of the fraudulently spent funds.~~

~~**SECTION 10.11.(p)** If first approved by the Office of State Budget and Management, the Division of Medical Assistance, Department of Health and Human Services, may use funds that are identified to support the cost of development and acquisition of equipment and software through contractual means to improve and enhance information systems that provide management information and claims processing. The Department of Health and Human Services shall identify adequate funds to support the implementation and first year's operational costs that exceed the currently allocated funds for the new contract for the fiscal agent for the Medicaid Management Information System.~~

~~**SECTION 10.11.(q)** The Department of Health and Human Services may adopt temporary or emergency rules according to the procedures established in G.S. 150B-21.1 and G.S. 150B-21.1A when it finds that these rules are necessary to maximize receipt of federal funds within existing State appropriations, to reduce Medicaid expenditures, and to reduce fraud and abuse. Prior to the filing of these temporary or emergency rules with the Rules Review Commission and the Office of Administrative Hearings, the Department shall consult with the Office of State Budget and Management on the possible fiscal impact of the temporary or emergency rule and its effect on State appropriations and local governments.~~

~~**SECTION 10.11.(r)** The Department shall report to the Fiscal Research Division of the Legislative Services Office and to the House of Representatives Appropriations Subcommittee on Health and Human Services and the Senate Appropriations Committee on Health and Human Services or the Joint Legislative Health Care Oversight Committee on any change it anticipates making in the Medicaid~~

~~program that impacts the type or level of service, reimbursement methods, or waivers, any of which require a change in the State Plan or other approval by the Centers for Medicare and Medicaid Services (CMS). The reports shall be provided at the same time they are submitted to CMS for approval.~~

~~**SECTION 10.11.(s)** The Department of Health and Human Services shall provide Medicaid coverage for family planning services to men and women of childbearing age with family incomes equal to or less than one hundred eighty-five percent (185%) of the federal poverty level. Of the funds appropriated in this act to the Division of Medical Assistance, the sum of seven hundred fifty thousand dollars ($750,000) for the 2005-2006 fiscal year shall be used to provide the State match for the family planning demonstration waiver approved by the federal government.~~

~~**SECTION 10.11.(t)** For the purposes of determining eligibility for Medical Assistance, the Department of Health and Human Services may apply federal transfer of assets policies, as described in Title XIX, section 1917(c) of the Social Security Act, including the attachment of liens, to (i) life estates purchased by or on behalf of the recipient, other than life estates excluded from countable resources under this section, and (ii) to real property excluded as "income producing", tenancy in common, or as nonhomesite property made "income producing" under Title XIX, section 1902(r)(2) of the Social Security Act. The transfer of assets policy shall apply only to an institutionalized individual or the individual's spouse as defined in Title XIX, section 1917(c) of the Social Security Act. The Department shall exclude from countable resources any life estate in real property that is in the recipient's home, is measured by the recipient's life, and is the result of the transfer of a remainder interest.~~

~~Federal transfer of assets policies applied to "income producing" real property under Title XIX, section 1902(r)(2) of the Social Security Act shall become effective not earlier than October 1, 2001. Federal transfer of assets policies and attachment of liens applied to real property excluded as tenancy in common, or as nonhomesite property made "income producing" in accordance with this subsection shall become effective not earlier than November 1, 2002. Federal transfer of assets policies applied to life estates in accordance with this subsection shall become effective not earlier than October 1, 2005.~~

~~**SECTION 10.11.(u)** When implementing the Supplemental Security Income (SSI) method for considering equity value of income producing property, the Department shall, to the maximum extent possible, employ procedures to mitigate the hardship to Medicaid enrollees occurring from application of the Supplemental Security Income (SSI) method.~~

~~**SECTION 10.11.(v)** Unless required for compliance with federal law, the Department shall not change medical policy affecting the amount, sufficiency, duration, and scope of health care services and who may provide services until the Division of Medical Assistance has prepared a five-year fiscal analysis documenting the increased cost of the proposed change in medical policy and submitted it for Departmental review. If the fiscal impact indicated by the fiscal analysis for any proposed medical policy change exceeds three million dollars ($3,000,000) in total requirements for a given fiscal year, then the Department shall submit the proposed policy change with the fiscal~~

~~analysis to the Office of State Budget and Management and the Fiscal Research Division. The Department shall not implement any proposed medical policy change exceeding three million dollars ($3,000,000) in total requirements for a given fiscal year unless the source of State funding is identified and approved by the Office of State Budget and Management. The Department shall provide the Office of State Budget and Management and the Fiscal Research Division a quarterly report itemizing all medical policy changes with total requirements of less than three million dollars ($3,000,000).~~

~~**SECTION 10.11.(w)** The Department shall develop, amend, and adopt medical coverage policy in accordance with the following:~~

~~(1) During the development of new medical coverage policy or amendment to existing medical coverage policy, consult with and seek the advice of the Physician Advisory Group of the North Carolina Medical Society and other organizations the Secretary deems appropriate. The Secretary shall also consult with and seek the advice of officials of the professional societies or associations representing providers who are affected by the new medical coverage policy or amendments to existing medical coverage policy.~~

~~(2) At least 45 days prior to the adoption of new or amended medical coverage policy, the Department shall:~~

~~a. Publish the proposed new or amended medical coverage policy on the Department's Web site;~~

~~b. Notify all Medicaid providers of the proposed, new, or amended policy; and~~

~~c. Upon request, provide persons copies of the proposed medical coverage policy.~~

~~(3) During the 45-day period immediately following publication of the proposed new or amended medical coverage policy, accept oral and written comments on the proposed new or amended policy.~~

~~(4) If, following the comment period, the proposed new or amended medical coverage policy is modified, then the Department shall, at least 15 days prior to its adoption:~~

~~a. Notify all Medicaid providers of the proposed policy;~~

~~b. Upon request, provide persons notice of amendments to the proposed policy; and~~

~~c. Accept additional oral or written comments during this 15-day period.~~

~~**SECTION 10.11.(x)** For the purposes of investigating and reducing client fraud and abuse, the Department of Health and Human Services, Division of Medical Assistance, shall, unless prohibited by federal law, include in the Medicaid enrollment process the requirement that the applicant for Medicaid consent to or authorize in writing the release of the applicant's medical records for the three years immediately preceding the application for Medicaid benefits. The Department shall obtain and use information from the applicant's medical records in a manner and form that complies with the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), P.L.~~

~~104-191, as amended, and that protects the privacy of the information as required by other applicable federal or State law. In addition to fraud and abuse detection, the Department may require the applicant's consent for other purposes permitted by HIPAA and required or authorized by other applicable federal or State law.~~

~~**SECTION 10.11.(y)** The Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services shall provide an opportunity for interested advocacy organizations to comment on restrictions imposed by the Department of Health and Human Services, Division of Medical Assistance, on the medications prescribed for Medicaid recipients, as authorized under subsection (a)(5) of this section. The Committee may report its findings or recommendations based on comments received to 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 on or before April 30, 2006.~~"

House Version

MEDICAID

SECTION 10.3.(a) Section 10.11 of S.L. 2005-276 is repealed.

SECTION 10.3.(b) Use of Funds, Allocation of Costs, Other Authorizations.

(1) Use of Funds. – Funds appropriated in this act for services provided in accordance with Title XIX of the Social Security Act (Medicaid) are for both the categorically needy and the medically needy.

County Share Issue

(2) Allocation of Nonfederal Cost of Medicaid. – The allocation of the nonfederal cost of Medicaid shall be as provided in this act.

(3) Funds for Development and Acquisition of Equipment and Software. – If first approved by the Office of State Budget and Management, the Division of Medical Assistance, Department of Health and Human Services, may use funds that are identified to support the cost of development and acquisition of equipment and software through contractual means to improve and enhance information systems that provide management information and claims processing. The Department of Health and Human Services shall identify adequate funds to support the implementation and first year's operational costs that exceed the currently allocated funds for the new contract for the fiscal agent for the Medicaid Management Information System.

(4) Reports. – Unless otherwise provided, whenever the Department of Health and Human Services is required by this section to report to the General Assembly, the report shall be submitted to the House of Representatives Appropriations Subcommittee for Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division of the Legislative Services Office. Reports shall be submitted on the date provided in the reporting requirement.

SECTION 10.3.(c) Policy. –

(1) Volume purchase plans and single source procurement. – The Department of Health and Human Services, Division of Medical Assistance, may, subject to the approval of a change in the State Medicaid Plan, contract for services, medical equipment, supplies, and appliances by implementation of volume purchase plans, single source procurement, or other contracting processes in order to improve cost containment.

(2) Cost-containment programs. – The Department of Health and Human Services, Division of Medical Assistance, may undertake cost-containment programs, including contracting for services, preadmissions to hospitals, and prior approval for certain outpatient surgeries before they may be performed in an inpatient setting.

(3) Fraud and abuse. –

a. The Division of Medical Assistance, Department of Health and Human Services, may provide incentives to counties that successfully recover fraudulently spent Medicaid funds by sharing State savings with counties responsible for the recovery of the fraudulently spent funds.

b. For the purposes of investigating and reducing client fraud and abuse, the Department of Health and Human Services, Division of Medical Assistance, shall, unless prohibited by federal law, include in the Medicaid enrollment process the requirement that the applicant for Medicaid consent to or authorize in writing the release of the applicant's medical records for the three years immediately preceding the application for Medicaid benefits. The Department shall obtain and use information from the applicant's medical records in a manner and form that complies with the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), P.L. 104-191, as amended, and that protects the privacy of the information as required by other applicable federal or State law. In addition to fraud and abuse detection, the Department may require the applicant's consent for other purposes permitted by HIPAA and required or authorized by other applicable federal or State law.

(4) Medical policy. –

Unless required for compliance with federal law, the Department shall not change medical policy affecting the amount, sufficiency, duration, and scope of health care services and who may provide services until the Division of Medical Assistance has prepared a five-year fiscal analysis documenting the increased cost of the proposed change in medical policy and submitted it for Departmental review. If the fiscal impact indicated by the fiscal analysis for any proposed medical policy change exceeds three million dollars ($3,000,000) in total requirements for a given fiscal year, then the Department shall submit

the proposed policy change with the fiscal analysis to the Office of State Budget and Management and the Fiscal Research Division. The Department shall not implement any proposed medical policy change exceeding three million dollars ($3,000,000) in total requirements for a given fiscal year unless the source of State funding is identified and approved by the Office of State Budget and Management. The Department shall provide the Office of State Budget and Management and the Fiscal Research Division a quarterly report itemizing all medical policy changes with total requirements of less than three million dollars ($3,000,000).

SECTION 10.3.(d) Eligibility. – Eligibility for Medicaid shall be determined in accordance with the following:

(1) Medicaid and Work First Family Assistance, Income Eligibility Standards. – The maximum net family annual income eligibility standards for Medicaid and Work First Family Assistance and the Standard of Need for Work First Family Assistance shall be as follows:

Categorically Needy-WFFA*		Medically Needy Families and Children	
Family Size	Standard Of Need	Income Level	AA,AB,AD*
1	$4,344	$2,172	$2,900
2	5,664	2,832	3,900
3	6,528	3,264	4,400
4	7,128	3,564	4,800
5	7,776	3,888	5,200
6	8,376	4,188	5,600
7	8,952	4,476	6,000
8	9,256	4,680	6,300

*Work First Family Assistance (WFFA); Aid to the Aged (AA); Aid to the Blind (AB); and Aid to the Disabled (AD).

The payment level for Work First Family Assistance shall be fifty percent (50%) of the standard of need.

These standards may be changed with the approval of the Director of the Budget with the advice of the Advisory Budget Commission.

(2) The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to all elderly, blind, and disabled people who have incomes equal to or less than one hundred percent (100%) of the federal poverty guidelines, as revised each April 1.

(3) The Department of Health and Human Services shall provide Medicaid to 19 and 20-year-olds in accordance with federal rules and regulations.

(4) Pregnant women and children. – The Department of Health and Human Services shall provide coverage to pregnant women and to children according to the following schedule:

a. Pregnant women with incomes equal to or less than one hundred eighty-five percent (185%) of the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits.

b. Effective January 1, 2006, infants under the age of one with family incomes equal to or less than two hundred percent (200%) of the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits.

c. Effective January 1, 2006, children aged one through five with family incomes equal to or less than two hundred percent (200%) of the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits.

d. Children aged six through 18 with family incomes equal to or less than the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits.

e. The Department of Health and Human Services shall provide Medicaid coverage for adoptive children with special or rehabilitative needs regardless of the adoptive family's income.

Services to pregnant women eligible under this subsection continue throughout the pregnancy but include only those related to pregnancy and to those other conditions determined by the Department as conditions that may complicate pregnancy. In order to reduce county administrative costs and to expedite the provision of medical services to pregnant women, to infants, and to children described in subparagraphs c. and d. of this subdivision, no resources test shall be applied.

(5) The Department of Health and Human Services shall provide Medicaid coverage for family planning services to men and women of childbearing age with family incomes equal to or less than one hundred eight-five percent (185%) of the federal poverty level.

(6) ICF and ICF/MR Work Incentive Allowances. – The Department of Health and Human Services may provide an incentive allowance to Medicaid-eligible recipients of ICF and ICF/MR services, who are regularly engaged in work activities as part of their developmental plan, and for whom retention of additional income contributes to their achievement of independence. The State funds required to match the federal funds that are required by these allowances shall be provided from savings within the Medicaid budget or from other unbudgeted

funds available to the Department. The incentive allowances may be as follows:

Monthly Net Wages	Monthly Incentive Allowance
$1.00 to $100.99	Up to $50.00
$101.00 to $200.99	$80.00
$201.00 to $300.99	$130.00
$301.00 and greater	$212.00

(7) Medicaid enrollment of categorically needy families with children shall be continuous for one year without regard to changes in income or assets.

(8) For all Medicaid eligibility classifications for which the federal poverty level is used as an income limit for eligibility determination, the income limits will be updated each April 1 immediately following publication of federal poverty guidelines.

(9) When implementing the Supplemental Security Income (SSI) method for considering equity value of income producing property, the Department shall, to the maximum extent possible, employ procedures to mitigate the hardship to Medicaid enrollees occurring from application of the SSI method.

SECTION 10.3.(e) Services and Payment Bases. – Funds appropriated for Medicaid services shall be expended in accordance with the following schedule of services and payment bases. All services and payments are subject to the language at the end of this subsection. Unless otherwise provided, services and payment bases will be as prescribed in the State Plan as established by the Department of Health and Human Services and may be changed with the approval of the Director of the Budget.

(1) Hospital inpatient.

(2) Hospital outpatient. – Eighty percent (80%) of allowable costs or a prospective reimbursement plan as established by the Department of Health and Human Services.

(3) Nursing facilities. – Nursing facilities providing services to Medicaid recipients who also qualify for Medicare must be enrolled in the Medicare program as a condition of participation in the Medicaid program. State facilities are not subject to the requirement to enroll in the Medicare program. Residents of nursing facilities who are eligible for Medicare coverage of nursing facility services must be placed in a Medicare-certified bed. Medicaid shall cover facility services only after the appropriate services have been billed to Medicare. The Division of Medical Assistance shall allow nursing facility providers sufficient time from the effective date of this act to certify additional Medicare beds if necessary. In determining the date that the requirements of this subdivision become effective, the Division of Medical Assistance shall consider the regulations governing certification of Medicare beds and the length of time required for this process to be completed.

(4) Physicians, certified nurse midwife services, nurse practitioners. – Fee schedules as development by the Department of Health and Human Services.

(5) Community Alternative Program, EPSDT Screens. – Payments in accordance with rate schedule developed by the Department of Health and Human Services.

(6) Home health and related services, durable medical equipment. – Payments according to reimbursement plans developed by the Department of Health and Human Services.

(7) Hearing aids. – Wholesale cost plus dispensing fee to provider.

(8) Rural health clinical services. – Provider-based, reasonable cost; non-provider-based, single–cost reimbursement rate per clinic visit.

(9) Family planning. – Negotiated rate for local health departments. For other providers see specific services, e.g. hospitals, physicians.

(10) Independent laboratory and X-ray services. – Uniform fee schedules as developed by the Department of Health and Human Services.

(11) Ambulatory surgical centers.

(12) Private duty nursing, clinic services, prepaid health plans.

(13) Intermediate care facilities for the mentally retarded.

(14) Chiropractors, podiatrists, optometrists, dentists.

(15) Limitations on Dental Coverage. – Dental services shall be provided on a restricted basis in accordance with criteria adopted by the Department to implement this subsection.

(16) Medicare Buy-In. – Social Security Administration premium.

(17) Ambulance services. – Uniform fee schedules as developed by the Department of Health and Human Services. Public ambulance providers will be reimbursed at cost.

(18) Optical supplies. – Payment for materials is made to a contractor in accordance with 42 C.F.R. § 431.54(d). Fees paid to dispensing providers are negotiated fees established by the State agency based on industry charges.

(19) Medicare crossover claims. – The Department shall apply Medicaid medical policy to Medicare claims for dually eligible recipients. The Department shall pay an amount up to the actual coinsurance or deductible or both, in accordance with the State Plan, as approved by the Department of Health and Human Services.

(20) Physical therapy and speech therapy. – Services limited to EPSDT-eligible children. Payments are to be made only to qualified providers at rates negotiated by the Department of Health and Human Services. Physical therapy (including occupational therapy) and speech therapy services are subject to prior approval and utilization review.

(21) Personal care services.

(22) Case management services. – Reimbursement in accordance with the availability of funds to be transferred within the Department of Health and Human Services.

(23) Hospice.

(24) Medically necessary prosthetics or orthotics. – In order to be eligible for reimbursement, providers must be Board certified. Medically necessary prosthetics and orthotics are subject to prior approval and utilization review.

(25) Health insurance premiums.

(26) Medical care/other remedial care. – Services not covered elsewhere in this section include related services in schools; health professional services provided outside the clinic setting to meet maternal and infant health goals; and services to meet federal EPSDT mandates.

(27) Pregnancy-related services. – Covered services for pregnant women shall include nutritional counseling, psychosocial counseling, and predelivery and postpartum home visits by maternity care coordinators and public health nurses.

(28) Drugs. – Reimbursements. Reimbursements shall be available for prescription drugs as allowed by federal regulations plus a professional services fee per month, excluding refills for the same drug or generic equivalent during the same month. Payments for drugs are subject to the provisions of this subdivision or in accordance with the State Plan adopted by the Department of Health and Human Services, consistent with federal reimbursement regulations. Payment of the professional services fee shall be made in accordance with the State Plan adopted by the Department of Health and Human Services, consistent with federal reimbursement regulations. The professional services fee shall be five dollars and sixty cents ($5.60) per prescription for generic drugs and four dollars ($4.00) per prescription for brand-name drugs. Adjustments to the professional services fee shall be established by the General Assembly. In addition to the professional services fee, the Department may pay an enhanced fee for pharmacy services.

Limitations on quantity. – The Department of Health and Human Services may establish authorizations, limitations, and reviews for specific drugs, drug classes, brands, or quantities in order to manage effectively the Medicaid pharmacy program, except that the Department shall not impose limitations on brand-name medications for which there is a generic equivalent in cases where the prescriber has determined, at the time the drug is prescribed, that the brand-name drug is medically necessary and has written on the prescription order the phrase "medically necessary". In addition to the entities listed in subsection (a) of this section, the Department shall report to the Joint Legislative Commission on Governmental Operations on authorizations, limitations, and reviews established under this

subparagraph, including limitations on monthly brand-name and generic prescriptions as well as restrictions on the total number of medications. The Department shall submit the report not later than May 1, 2006.

Dispensing of generic drugs. – Notwithstanding G.S. 90-85.27 through G.S. 90-85.31, or any other law to the contrary, under the Medical Assistance Program (Title XIX of the Social Security Act), and except as otherwise provided in this subsection for atypical antipsychotic drugs and drugs listed in the narrow therapeutic index, a prescription order for a drug designated by a trade or brand name shall be considered to be an order for the drug by its established or generic name, except when the prescriber has determined, at the time the drug is prescribed, that the brand-name drug is medically necessary and has written on the prescription order the phrase "medically necessary". An initial prescription order for an atypical antipsychotic drug or a drug listed in the narrow therapeutic drug index that does not contain the phrase "medically necessary" shall be considered an order for the drug by its established or generic name, except that a pharmacy shall not substitute a generic or established name prescription drug for subsequent brand or trade name prescription orders of the same prescription drug without explicit oral or written approval of the prescriber given at the time the order is filled. Generic drugs shall be dispensed at a lower cost to the Medical Assistance Program rather than trade or brand-name drugs. As used in this subsection, "brand name" means the proprietary name the manufacturer places upon a drug product or on its container, label, or wrapping at the time of packaging; and "established name" has the same meaning as in section 502(e)(3) of the Federal Food, Drug, and Cosmetic Act as amended, 21 U.S.C. § 352(e)(3).

Prior authorization. – The Department of Health and Human Services shall not impose prior authorization requirements or other restrictions under the State Medical Assistance Program on medications prescribed for Medicaid recipients for the treatment of: (i) mental illness, including, but not limited to, medications for schizophrenia, bipolar disorder, and major depressive disorder, or (ii) HIV/AIDS.

(29) Other mental health services. – Unless otherwise covered by this section, coverage is limited to:

a. Services as defined by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services and approved by the Centers for Medicare and Medicaid Services (CMS) when provided in agencies meeting the requirements of the rules established by the Commission for Mental Health, Developmental Disabilities, and Substance Abuse Services and

reimbursement is made in accordance with a State Plan developed by the Department of Health and Human Services not to exceed the upper limits established in federal regulations, and

b. For children eligible for EPSDT services provided by:

1. Licensed or certified psychologists, licensed clinical social workers, certified clinical nurse specialists in psychiatric mental health advanced practice, nurse practitioners certified as clinical nurse specialists in psychiatric mental health advanced practice, licensed psychological associates, licensed professional counselors, licensed marriage and family therapists, certified clinical addictions specialists, and certified clinical supervisors, when Medicaid-eligible children are referred by the Community Care of North Carolina primary care physician, a Medicaid-enrolled psychiatrist, or the area mental health program or local management entity, and

2. Institutional providers of residential services as defined by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services and approved by the Centers for Medicare and Medicaid Services (CMS) for children and Psychiatric Residential Treatment Facility services that meet federal and State requirements as defined by the Department.

c. For Medicaid-eligible adults, services provided by licensed or certified psychologists, licensed clinical social workers, certified clinical nurse specialists in psychiatric mental health advanced practice, and nurse practitioners certified as clinical nurse specialists in psychiatric mental health advanced practice, licensed psychological associates, licensed professional counselors, licensed marriage and family therapists, licensed clinical addictions specialists, and licensed clinical supervisors, Medicaid-eligible adults may be self-referred.

d. Payments made for services rendered in accordance with this subdivision shall be to qualified providers in accordance with approved policies and the State Plan. Nothing in sub-subdivision b. or c. of this subdivision shall be interpreted to modify the scope of practice of any service provider, practitioner, or licensee, nor to modify or attenuate any collaboration or supervision requirement related to the professional activities of any service provider, practitioner, or licensee. Nothing in sub-subdivision b. or c. of this subdivision shall be interpreted to require any private health insurer or

health plan to make direct third-party reimbursements or payments to any service provider, practitioner, or licensee.

e. The Department of Health and Human Services shall not enroll licensed psychological associates, licensed professional counselors, licensed marriage and family therapists, licensed clinical addiction specialists, and licensed clinical supervisors until all of the following conditions have been met:

1. The fiscal impact of payments to these qualified providers has been projected;
2. Funding for any projected requirements in excess of budgeted Division of Medical Assistance funding has been identified from within State funds appropriated to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to support area mental health programs or county programs, or identified from other sources; and
3. Approval has been obtained from the Office of State Budget and Management to transfer these State or other source funds from the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to the Division of Medical Assistance. Upon approval and implementation, the Department of Health and Human Services shall, on a quarterly basis, provide a status report to the Office of State Budget and Management and the Fiscal Research Division.

Notwithstanding G.S. 150B-21.1(a), the Department of Health and Human Services may adopt temporary rules in accordance with Chapter 150B of the General Statutes further defining the qualifications of providers and referral procedures in order to implement this subdivision. Coverage policy for services defined by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services under sub-subdivisions a. and b.2 of this subdivision shall be established by the Division of Medical Assistance.

SECTION 10.3.(f) Limitations on payments. –

(1) Payment is limited to Medicaid-enrolled providers that purchase a performance bond in an amount not to exceed one hundred thousand dollars ($100,000) naming as beneficiary the Department of Health and Human Services, Division of Medical Assistance, or provide to the Department a validly executed letter of credit or other financial instrument issued by a financial institution or agency honoring a demand for payment in an equivalent amount. The Department may waive or limit the requirements of this paragraph for one or more classes of Medicaid-enrolled providers based on the provider's dollar

amount of monthly billings to Medicaid or the length of time the provider has been licensed in this State to provide services. In waiving or limiting requirements of this paragraph, the Department shall take into consideration the potential fiscal impact of the waiver or limitation on the State Medicaid Program. The Department may adopt temporary rules in accordance with G.S. 150B-21.1 as necessary to implement this provision.

(2) Reimbursement is available for up to 24 visits per recipient per year to any one or combination of the following: physicians, clinics, hospital outpatient, optometrists, chiropractors, and podiatrists. Prenatal services, all EPSDT children, emergency rooms, and mental health services subject to independent utilization review are exempt from the visit limitations contained in this paragraph. Exceptions may be authorized by the Department of Health and Human Services where the life of the patient would be threatened without such additional care.

SECTION 10.3.(g) Exceptions and limitations on services; authorization of co-payments and other services.

(1) Exceptions to Service Limitations, Eligibility Requirements, and Payments. – Service limitations, eligibility requirements, and payments bases in this section may be waived by the Department of Health and Human Services, with the approval of the Director of the Budget, to allow the Department to carry out pilot programs for prepaid health plans, contracting for services, managed care plans, or community-based services programs in accordance with plans approved by the United States Department of Health and Human Services or when the Department determines that such a waiver will result in a reduction in the total Medicaid costs for the recipient. The Department of Health and Human Services may proceed with planning and development work on the Program of All-Inclusive Care for the Elderly.

(2) Co-Payment for Medicaid Services. – The Department of Health and Human Services may establish co-payments up to the maximum permitted by federal law and regulation and required by this subsection in order to achieve reductions in the budget in fiscal years 2005-2006 and 2006-2007.

(3) The Department of Health and Human Services shall provide Medicaid coverage for family planning services to men and women of childbearing age with family incomes equal to or less than one hundred eighty-five percent (185%) of the federal poverty level. Of the funds appropriated in this act to the Division of Medical Assistance, the sum of seven hundred fifty thousand dollars ($750,000) for the 2005-2006 fiscal year shall be used to provide the State-match for the family planning demonstration waiver approved by the federal government.

SECTION 10.3.(h) Rules, Reports, and Other Matters. –

(1) Rules. – The Department of Health and Human Services may adopt temporary or emergency rules according to the procedures established in G.S. 150B-21.1 and G.S. 150B-21.1A when it finds that these rules are necessary to maximize receipt of federal funds within existing State appropriations, to reduce Medicaid expenditures, and to reduce fraud and abuse. Prior to the filing of these temporary or emergency rules with the Rules Review Commission and the Office of Administrative Hearings, the Department shall consult with the Office of State Budget and Management on the possible fiscal impact of the temporary or emergency rule and its effect on State appropriations and local governments.

(2) Changes to Medicaid program; reports. – The Department shall report on any change it anticipates making in the Medicaid program that impacts the type or level of service, reimbursement methods, or waivers, any of which require a change in the State Plan or other approval by the Centers for Medicare and Medicaid Services (CMS). The reports shall be provided at the same time they are submitted to CMS for approval. In addition to the entities listed in subsection (a)(4) of this section, the report shall be submitted to the Joint Legislative Health Care Oversight Committee.

Senate Only

TRANSFER OF ASSETS REWRITE

SECTION 10.5.(a) G.S. 108A-58 is repealed.

SECTION 10.5.(b) Part 6 of Article 2 of Chapter 108A of the General Statutes is amended by adding the following new section to read:

"**§ 108A-58.1. Ineligibility for medical assistance based on transferring assets for less than fair market value.**

(a) General rule. – Except as otherwise provided herein, an individual who is otherwise eligible to receive medical assistance under this Part is ineligible for Medicaid coverage and payment for the services specified in subsection (d) during the period specified in subsection (c) if the individual or the individual's spouse transfers an asset for less than fair market value on or after the "lookback date" specified in subsection (b).

(b) Lookback date. –

(1) Except as otherwise provided herein, the lookback date is the date specified in 42 U.S.C. § 1396p(c)(1)(B).

(2) Notwithstanding subdivision (1), the lookback date with respect to the medical services specified in subdivision (d)(2) is the date specified in 42 U.S.C. § 1396p(c)(1)(B) or February 1, 2003, whichever is later.

(c) Penalty period. – The penalty period for the transfer of assets for less than fair market value is the period specified in 42 U.S.C. § 1396p(c)(1)(D), (E), and (H).

(d) Medical services. –

(1) In the case of an institutionalized individual, the transfer of assets penalty applies with respect to nursing facility services, a level of care in any institution equivalent to that of nursing facility services, and to home or community-based services furnished under the State's Community Alternatives Program waiver pursuant to 42 U.S.C. § 1396n(c) or (d).

(2) In the case of a noninstitutionalized individual, the transfer of assets penalty applies with respect to home health services and personal care services as defined in 42 U.S.C. § 1396d(a)(7) and (24) and, to the extent permitted by federal law, such other long-term care services specified by rules adopted by the Department of Health and Human Services pursuant to subsection (k) of this section.

(e) Assets. – Assets are the income and resources of an individual or the individual's spouse (including the individual's or spouse's home) as defined in 42 U.S.C. § 1396p(h) and 42 U.S.C. § 1396p(c)(1)(G), (I), and (J).

(f) Fair market value and uncompensated value. –

(1) The fair market value of an asset is the value (minus any valid and legally enforceable liens, mortgages, and encumbrances against the asset) that would have been received if the asset had been sold for good and valuable consideration at the prevailing market price at the time the asset was transferred. In the case of real or personal property that is taxable under Subchapter II of Chapter 105 of the General

Statutes, there is a rebuttable presumption that the fair market value of the property is its most recent value as ascertained under Subchapter II of Chapter 105 of the General Statutes (minus any valid and legally enforceable liens, mortgages, and encumbrances against the property).

(2) The uncompensated value of an asset is its fair market value minus the amount of good and valuable consideration received in exchange for the asset's transfer.

(g) Individual. – An individual is a person who applies for or is receiving medical assistance under this Part regardless of whether the person was, at the time an asset was transferred, a Medicaid applicant or recipient. The term "individual" also includes an individual's legal representative, anyone acting at the individual's direction or request, and any person, agency, or court acting lawfully on behalf of the individual.

(h) Institutionalized and noninstitutionalized individuals. –

(1) An institutionalized individual is an individual who meets the criteria set forth in 42 U.S.C. § 1396p(h)(3), regardless of whether the individual was institutionalized at the time an asset was transferred.

(2) A noninstitutionalized individual is any individual who (i) is not an institutionalized individual, (ii) is an aged, blind, or disabled person who is categorically or medically needy pursuant to 42 C.F.R. § 435. § 120 or a qualified Medicare beneficiary as defined in 42 U.S.C. § 1396d(p)(1), and (3) is not eligible for medical assistance under this Part based on his or her eligibility for an optional State supplement pursuant to 42 C.F.R. § 435.232.

(i) Exceptions. –

(1) This section does not apply if an individual establishes by the greater weight of the evidence that the transfer was exclusively for some purpose other than establishing or retaining eligibility for medical assistance under this Part.

(2) This section does not apply to any transfer specified in 42 U.S.C. § 1396p(c)(2)(A), (B), (C)(i), or (C)(iii).

(j) Hardship waiver. – The Department of Health and Human Services shall waive a transfer of assets penalty that has been imposed or is imposable under this section if the Department determines that imposition of the penalty would create an undue hardship.

(k) Rules and compliance with federal law.–

(1) This section shall be interpreted and administered consistently with governing federal law, including 42 U.S.C. § 1396p(c).

(2) The Department of Health and Human Services shall determine and publish at least annually the average monthly cost of nursing facility services for private patients that will be used in determining the length of a penalty period under this section.

(3) The Department of Health and Human Services shall provide for a hardship waiver process in accordance with 42 U.S.C. § 1396p(c)(2)(D).

(4) The Department of Health and Human Services may adopt administrative rules that are necessary and appropriate to implement this section or the requirements of 42 U.S.C. § 1396p(c) or other federal laws governing the transfer of assets and Medicaid eligibility."

SECTION 10.5.(c) This section is effective when it becomes law. This section does not affect the validity of any Medicaid transfer of assets penalty that was validly imposed before the date this act becomes law under prior federal or state law or rules.

Senate Only

MEDICAID DUALLY ELIGIBLE TO ENROLL IN MEDICARE PARTS A,B,C, D

SECTION 10.6. G.S. 108A-55.1 reads as rewritten:

"**§ 108A-55.1. Medicare enrollment required.**

The Department shall require State Medical Assistance Program recipients who qualify for Medicare to enroll in Medicare, in accordance with Title XIX of the Social Security Act, in order to pay medical expenditures that qualify for payment under Medicare ~~Part B.~~ Parts A, B, C, and D.

Failure to enroll in Medicare shall result in nonpayment of these expenditures under the State Medical Assistance Program. A provider may seek payment for services from Medicaid enrollees who are eligible for but not enrolled in Medicare ~~Part B~~ Parts A, B, C, and D."

Senate and House Differ

Senate Version

MEDICAID RESERVE FUND TRANSFER

SECTION 10.7.(a) Of the funds transferred to the Department of Health and Human Services for Medicaid programs pursuant to G.S. 143-23.2, the sum of fifty million dollars ($50,000,000) for the 2006-2007 fiscal year shall be allocated as prescribed by G.S. 143-23.2(b) for Medicaid programs. Notwithstanding the prescription in G.S. 143-23.2(b) that these funds not reduce State general revenue funding, these funds shall replace the reduction in general revenue funding effected in this act. $ Diff

SECTION 10.7.(b) Of the funds transferred to the Department of Health and Human Services for Medicaid programs pursuant to G.S. 143-23.2, the sum of five million four thousand five hundred four dollars ($5,004,504) for the 2006-2007 fiscal year shall be allocated as prescribed by G.S. 143-23.2(b) for the implementation of the Medicaid Management Information System (MMIS).

House Version

MEDICAID RESERVE FUND TRANSFER

SECTION 10.7.(a) Of the funds transferred to the Department of Health and Human Services for Medicaid programs pursuant to G.S. 143-23.2, the sum of fifty-three million dollars ($53,000,000) for the 2006-2007 fiscal year shall be allocated as prescribed by G.S. 143-23.2(b) for Medicaid programs. Notwithstanding the prescription in G.S. 143-23.2(b) that these funds not reduce State general revenue funding, these funds shall replace the reduction in general revenue funding effected in this act. $ Diff

SECTION 10.7.(b) Of the funds transferred to the Department of Health and Human Services for Medicaid programs pursuant to G.S. 143-23.2, the sum of five million four thousand five hundred four dollars ($5,004,504) for the 2006-2007 fiscal year shall be allocated as prescribed by G.S. 143-23.2(b) for the implementation of the Medicaid Management Information System (MMIS).

House Only

PILOT PROJECTS TO CONTROL COST AND IMPROVE QUALITY OF CARE FOR AGED, BLIND, AND DISABLED MEDICAID RECIPIENTS

SECTION 10.7A.(a) Section 10.17.(a) of S.L. 2005-276 reads as rewritten:

"**SECTION 10.17.(a)** The Department of Health and Human Services shall expand the scope of Community Care of NC care management model to recipients of Medicaid and dually eligible individuals with a chronic condition and long-term care needs. In expanding the scope, the Department shall focus on the Aged, Blind, and Disabled, and CAP-DA populations for improvement in management, cost-effectiveness, and local coordination of services through Community Care of NC and in collaboration with local providers of care. The Department shall target personal care services, private duty nursing, home health, durable medical equipment, ancillary professional services, specialty care, residential services, including skilled nursing facilities, home infusion therapy, pharmacy, and other services determined target-worthy by the Department. The Department shall pilot communitywide initiatives and shall expand statewide successful models. The initiatives may include one or more pilot projects to control costs and improve quality of care for the aged, blind, and disabled recipients of Medicaid."

SECTION 10.7A.(b) Section 10.14 of S.L. 2005-276 reads as rewritten:

"**SECTION 10.14.** The Department of Health and Human Services may use not more than three million dollars ($3,000,000) in the 2005-2006 fiscal year and not more than three million dollars ($3,000,000) in the 2006-2007 fiscal year in Medicaid funds budgeted for program services to support the cost of administrative activities when cost-effectiveness and savings are demonstrated. The funds shall be used to support activities that will contain the cost of the Medicaid Program, including contracting for ~~services or hiring additional staff.~~services, hiring additional staff, or providing grants through the Office of Rural Health and Community Care to plan, develop, and implement cost-containment programs.

Medicaid cost-containment activities may include prospective reimbursement methods, incentive-based reimbursement methods, service limits, prior authorization of services, periodic medical necessity reviews, revised medical necessity criteria, service provision in the least costly settings, plastic magnetic stripped Medicaid identification cards for issuance to Medicaid enrollees, fraud detection software or other fraud detection activities, technology that improves clinical decision making, credit balance recovery and data mining services, and other cost-containment activities. Funds may be expended under this section only after the Office of State Budget and Management has approved a proposal for the expenditure submitted by the Department. Proposals for expenditure of funds under this section shall include the cost of implementing the cost-containment activity and documentation of the amount of savings expected to be realized from the cost-containment activity. The Department shall provide a copy of proposals for expenditures under this section to the Fiscal Research Division."

Senate Only

REQUIRED DATA SHARING BY PRIVATE HEALTH INSURERS

SECTION 10.8. Part 1 of Article 50 of Chapter 58 of the General Statutes is amended by adding the following new section to read:

"**§ 58-50-46. Insurers to provide certain information to Department of Health and Human Services.**

(a) As used in this section, the terms:

(1) 'Department' means the Department of Health and Human Services.

(2) 'Division' means the Division of Medical Assistance of the Department of Health and Human Services.

(3) 'Health insurer' includes self-insured plans, group health plans (as defined in section 607(1) of the Employee Retirement Income Security Act of 1974, [29 USC Section 1167(1)]), service benefit plans, managed care organizations, or other parties that are, by statute, contract, or agreement, legally responsible for payment of a claim for a health care item or service as a condition of doing business in the State.

(4) 'Medical assistance' means medical assistance benefits provided under the State Medical Assistance Plan.

(b) Health insurers, and pharmacy benefit managers regulated as third-party administrators under Article 56 of Chapter 58 of the General Statutes, shall provide, with respect to individuals who are eligible for, or are provided, medical assistance, upon request of the Division, information to determine during what period the individual or the individual's spouse or dependents may be (or may have been) covered by a health insurer and the nature of the coverage that is or was provided by the health insurer (including the name, address, and identifying number of the plan) in a manner prescribed by the Division. Notwithstanding any other provision of law, every insurer issuing a health benefit plan shall provide, not more frequently than twelve times in a year and at no cost, to the Department of Health and Human Services, upon its request, information, including automated data matches conducted under the direction of the Department of Health and Human Services, Division of Medical Assistance, as necessary to (i) identify individuals covered under the insurer's health benefit plans who are also recipients of medical assistance; (ii) determine the period during which the individual or the individual's spouses or the individual's dependents may be or may have been covered by the health benefit plan; and (iii) determine the nature of the coverage. To facilitate the Division in obtaining this and other related information, every health insurer shall:

(1) Cooperate with the Division to determine whether a named individual who is a recipient of medical assistance may be covered under the insurer's health benefit plan and eligible to receive benefits under the health benefit plan for services provided under the State Medical Assistance Plan.

(2) Respond to the request for information within 90 working days after receipt of written proof of loss or claim for payment for health care

services provided to a recipient of medical assistance who is covered by the insurer's health benefit plan.

(3) Accept the Division's right of recovery and the assignment to the Division of any right of an individual or other entity to payment from the party for an item or service for which payment has been made under the State Medical Assistance Plan.

(4) Respond to any inquiry by the Division regarding a claim for payment for any health care item or service that is submitted not later than three years after the date of the provision of the health care item or service.

(5) Agree not to deny a claim submitted by the Division solely on the basis of the date of submission of the claim, the type of format of the claim form, or a failure to present property documentation at the point-of-sale that is the basis of the claim, if:

a. The claim is submitted by the Division within the three-year period beginning on the date on which the item or service was furnished; and

b. Any action by the Division to enforce its rights with respect to such claim is commenced within six years of the Division's submission of the claim.

(c) An insurer that complies with this section shall not be liable on that account in any civil or criminal actions or proceedings."

Senate and House Differ

Senate Version

TICKET TO WORK EFFECTIVE DATE CHANGE

SECTION 10.9.(a) Section 10.18(c) of S.L. 2005-276 reads as rewritten:

"**SECTION 10.18.(c)** Subsection (b) of this section becomes effective July 1, 2006. Subsection (a) of this section becomes effective July 1, ~~2007, or within 30 days after the date on which the MMIS becomes operational, as determined by the Department of Health and Human Services, whichever occurs later.~~2007. Client enrollment shall begin not later than six months from the date subsection (a) becomes effective. The remainder of this section is effective when it becomes law." Tech

SECTION 10.9.(b) The Department of Health and Human Services shall study and develop a plan for the implementation of the Ticket to Work Program. The Department shall report to 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 not later than March 1, 2007, on the results of its study. The report shall include what system changes need to be made to implement the Ticket to Work Program, how soon the changes can be made, and an analysis of the five-year fiscal impact of the Program.

House Version

TICKET TO WORK EFFECTIVE DATE CHANGE

SECTION 10.9.(a) Section 10.18(c) of S.L. 2005-276 reads as rewritten:

"**SECTION 10.18.(c)** Subsection (b) of this section becomes effective July 1, 2006. Subsection (a) of this section becomes effective ~~January 1, 2007, or within 30 days after the date on which the MMIS becomes operational, as determined by the Department of Health and Human Services, whichever occurs later.~~ July 1, 2007. Tech

Client enrollment shall begin not later than six months from the date subsection (a) becomes effective. The remainder of this section is effective when it becomes law."

SECTION 10.9.(b) The Department of Health and Human Services shall study and develop a plan for the implementation of the Ticket to Work Program. The Department shall report to 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 not later than March 1, 2007, on the results of its study. The report shall include what system changes need to be made to implement the Ticket to Work Program, how soon the changes can be made, and an analysis of the five-year fiscal impact of the Program.

House Only

MEDICAID/HEALTH CHOICE DENTAL ADMINISTRATIVE SERVICES STUDY

SECTION 10.9A. The Department of Health and Human Services, Division of Medical Assistance, shall study the costs and benefits of implementing a carve-out of dental administrative services provided by third-party administrators for Medicaid and NC Health Choice recipients. In conducting the study, the Division shall review the experiences of other states using carve-out for administrative services and the likelihood that a carve-out will increase the number of dentists willing to serve Medicaid and NC Health Choice recipients. The Department of Health and Human Services shall report its findings and recommendations and shall include in the report a comparison of what Medicaid and SCHIP dental programs in other states have done or are doing to increase the number of Medicaid and SCHIP recipients accessing dental care. The Department of Health and Human Services shall submit the report to the House of Representatives Appropriations Committee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division of the Legislative Services Office not later than March 1, 2007.

House Only

EXTEND EFFECTIVE DATE ON CHANGES TO LIENS ON REAL PROPERTY FOR PURPOSES OF ESTATE RECOVERY UNDER MEDICAID

SECTION 10.9B. Section 10.21C(c) of S.L. 2005-276, as amended by Section 16 of S.L. 2005-345, reads as rewritten:

"**SECTION 10.21C.(c)** This section becomes effective July 1, ~~2006~~,2007, and applies to recipients of medical assistance on or after that date."

House Only

PILOT PROGRAM TO EVALUATE USE OF TELEMONITORING EQUIPMENT IN HOME CARE SERVICES

SECTION 10.9C. The Department of Health and Human Services, Division of Medical Assistance, may implement a pilot program to evaluate the use of telemonitoring equipment in home care services and community-based long-term care services. The pilot program may be implemented by October 1, 2006, and shall evaluate the use of telemonitoring equipment as a tool to improve the health of home care clients and community-based long-term care clients through increased monitoring and responsiveness, and resulting in increased stabilization rates. The evaluation shall include a representative number of older adults. Not later than July 1, 2007, 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 Fiscal Research Division, and the North Carolina Study Commission on Aging on the implementation of the pilot program and its findings and recommendations on the cost-effectiveness of telemonitoring and the benefits to individuals and health care providers.

House Only

DHHS TO DEVELOP STRATEGIES TO OFFSET THE COST TO PHARMACISTS OF PROVIDING SERVICES TO MEDICAID RECIPIENTS ENROLLED IN MEDICARE PART D.

SECTION 10.9D. The General Assembly recognizes the critical need for pharmacy management services to Medicaid recipients enrolled in Medicare Part D. In light of the additional costs to pharmacists that provide pharmacy services to Medicaid recipients enrolled in Medicare Part D, and in light of the fact that federal law does not provide federal matching funds under the Medicaid program for these services, the Department of Health and Human Services shall develop strategies for reimbursing or otherwise assisting pharmacists in providing these services to Medicaid recipients enrolled in Medicare Part D. In developing the strategies, the Department shall specifically address the special circumstances of pharmacists that provide pharmacy services to long-term care facilities. Among the strategies to be considered is a State-funded subsidy program to ensure that pharmacies adversely affected by the additional costs may remain in business and thus continue to provide pharmacy services throughout the State. As part of this effort, the Department shall also determine the impact of the Deficit Reduction Act of 2005 on the payment for generic drugs under the Medicaid Program. The Department shall report its findings and recommended strategies 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 not later than April 1, 2007.

House Only

CAP MEDICAID COUNTY SHARE

SECTION 10.9E.(a) Notwithstanding any other provision of law to the contrary, each county's portion of the nonfederal share of Medical Assistance Program costs, excluding administrative costs, for the 2006-2007 fiscal year and thereafter, shall not exceed the amount paid by the county for the nonfederal share of Medical Assistance Program costs, excluding administrative costs, for the 2005-2006 fiscal year. The limitation on the county share shall be in effect regardless of growth in Medical Assistance Program expenditures for the 2007-2008 fiscal year and thereafter.

SECTION 10.9E.(b) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Medical Assistance, the sum of eighteen million dollars ($18,000,000) in recurring funds for the 2006-2007 fiscal year shall be used to cover the increased cost to the State resulting from the cap on county share required by this section.

House Only

STATE-COUNTY SPECIAL ASSISTANCE

SECTION 10.9F. Effective October 1, 2006, the maximum monthly rate for residents in adult care home facilities shall be one thousand one hundred forty-eight dollars ($1,148) per month per resident.

Senate Only

PUBLIC-PRIVATE LONG TERM CARE PARTNERSHIP PROGRAM

SECTION 10.10. Pursuant to authority under Section 1917(b) of the Social Security Act (42 USC 1396p(c)), as amended by Public Law 109-171 effective January 1, 2007, there is established in the Department of Health and Human Services the North Carolina Long-Term Care Partnership Program. The purpose of the Program is to reduce future Medicaid costs for long-term care by delaying or eliminating dependence on Medicaid. The Program shall be administered by the Department of Health and Human Services with the assistance of the Commissioner of Insurance. The Department shall structure and administer the Program in accordance with applicable federal law and guidelines for qualified State long-term care partnerships. The Program, including the treatment of assets for Medicaid eligibility and estate recovery, notwithstanding statutory provisions on treatment of assets and estate recovery to the contrary, shall offer incentives to individuals to insure against the substantial costs of providing for their long-term care needs. The Long-Term Care Partnership Program becomes effective on the effective date of the approved State Plan amendment.

Senate Only

STUDY MEDICAID PROVIDER RATE INCREASES

SECTION 10.11.(a) The Secretary of the Department of Health and Human Services shall study and develop a proposal for an equitable standard for providing inflationary increases and other cost-related increases to service providers in the Medicaid program. The Department shall seek the assistance of external consultants and other appropriate financial experts and affected parties to validate any methodologies used in the development of the standard.

SECTION 10.11.(b) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Medical Assistance, the sum of one hundred thousand dollars ($100,000) for the 2006-2007 fiscal year shall be used to support the study. Not later than March 1, 2007, the Department shall report to 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 on the findings and recommendations of the study.

SECTION 10.11.(c) The Department of Health and Human Services shall study the feasibility and effectiveness of adjusting and rebasing case-mix reimbursement rates using 2005 cost data for nursing facilities. The study shall include the frequency of rebasing to appropriately reflect increases and decreases in reported and audit costs.

Senate Only

INCREASE HEALTH CARE ACCESS FOR UNINSURED PERSONS

SECTION 10.12.(a) The Secretary of the Department of Health and Human Services shall develop a plan to expand health care access for uninsured North Carolinians through the use of public/private partnerships, federal flexibility and resources, and promotion of charity care by health care providers. The goals of the plan are to:

(1) Aid small businesses that want to provide health care coverage.
(2) Expand health care coverage for the working uninsured persons.
(3) Secure all available federal funds to support the program.
(4) Promote charity care by health care providers.

SECTION 10.12.(b) In developing the plan, the Secretary shall:

(1) Consider findings and recommendations of previous studies on increased access to health care and covering the uninsured to determine their feasibility.
(2) Draw on the experience of other states that have successfully increased access to health care and covered the uninsured.
(3) Determine waivers necessary to secure federal funding available through 1115 Demonstration Waivers and other federal waivers to cover the uninsured.
(4) Explore options such as those available through the Deficit Reduction Act of 2005 (DEFRA) to adjust Medicaid eligibility and benefits to cover the uninsured.
(5) Consider the use of existing funding that might be used to leverage additional federal matching funds including certified public expenditures (CPE), and appropriate federal Disproportionate Share Hospital Program (DSH) funds.
(6) Pursue an agreement with the Centers for Medicare and Medicaid Services (CMS) to develop a methodology for investing Medicare savings realized from the expansion of the scope of Community Care of North Carolina Program to help fund the plan; and
(7) Determine in conjunction with the Office of State Budget and Management the fiscal impact of the plan for a five-year period.

SECTION 10.12.(c) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Medical Assistance, the sum of two hundred thousand dollars ($200,000) for the 2006-2007 fiscal year shall be used to support the development of the plan. The proposed plan shall be submitted to the 2007 General Assembly not later than March 1, 2007.

Senate Only

REPEAL VISION CARE PROGRAM

SECTION 10.14. Section 10.59F of S.L. 2005-276 (as amended by Section 20 of S.L. 2005-345), G.S. 130A-440.1, and Part 34 of Article 3 of Chapter 143B of the General Statutes are repealed.

House Only

GOLDEN LEAF FOUNDATION GRANT-IN-AID TO SUPPORT EARLY INTERVENTION PROGRAMS

SECTION 10.15A.(a) Pursuant to Section 2(b) of S.L. 1999-2, of the fifty percent (50%) of the annual installment payment to the North Carolina State Specific Account otherwise transferred and assigned to The Golden L.E.A.F. (Long-Term Economic Advancement Foundation), Inc., during the 2006-2007 fiscal year, the sum of six million three hundred thousand dollars ($6,300,000) for the 2006-2007 fiscal year is transferred to the State Controller to be deposited in Nontax Budget Code 19978 (Intra State Transfers) to supplement General Fund appropriations for early intervention programs. These funds shall be used to support early intervention programs and services in tobacco dependent regions of the State or those communities receiving impact assistance under the Tobacco Litigation Master Settlement Agreement. The Attorney General shall take all necessary actions to notify the court in the action entitled State of North Carolina v. Philip Morris Incorporated, et al., 98 CVS 14377, in the General Court of Justice, Superior Court Division, Wake County, North Carolina, and the administrators of the State Specific Account established under the Master Settlement Agreement of this action by the General Assembly redirecting this payment.

SECTION 10.15A.(b) Of the funds transferred to the State Controller for deposit in Nontax Budget Code 19978 as provided in subsection (a) of this section, the sum of six million three hundred thousand dollars ($6,300,000) for the 2006-2007 fiscal year is appropriated to the Department of Health and Human Services, Division of Public Health, to support early intervention programs and services.

Senate and House Differ

Senate Version

COMMUNITY HEALTH CENTER CHANGES

SECTION 10.16. Section 10.9(a) of S.L. 2005-276 reads as rewritten:

"**SECTION 10.9.(a)** Of the funds appropriated in this act for Community Health Grants, the sum of two million dollars ($2,000,000) in recurring ~~funds for the 2005-2006 fiscal year, and the sum of two million dollars ($2,000,000) in recurring~~ funds for the 2006-2007 fiscal year shall be used for federally qualified health centers, for those health centers that meet the criteria for federally qualified health centers, and for State-designated rural health centers and public health departments and other clinics to:

(1) Increase access to preventative and primary care services by uninsured or medically indigent patients in existing or new health center locations;

(2) Establish community health center services in counties where no such services exist;

(3) Create new services or augment existing services provided to uninsured or medically indigent patients, including primary care and preventative medical services, dental services, pharmacy, and behavioral health; and

(4) Increase capacity necessary to serve the uninsured by enhancing or replacing facilities, equipment, or technologies.

Grant funds may not be used to enhance or increase compensation or other benefits of personnel, administrators, directors, consultants, or any other parties. Grant funds may not be used to supplant federal funds traditionally received by federally qualified community health centers and may not be used to finance or satisfy any existing debt. The Department of Health and Human Services shall distribute funds on the basis of the availability of other funds for the agency, and also on the basis of incidence of poverty or percentage of indigent clients served. Grant applicants must provide after-hours access in order to qualify for grant funds. The Department shall give preference to those grant applicants demonstrating collaboration with the applicant's community hospital."

House Version

COMMUNITY HEALTH CENTER CHANGES

SECTION 10.16. Section 10.9(a) of S.L. 2005-276 reads as rewritten:

"**SECTION 10.9.(a)** Of the funds appropriated in this act for Community Health Grants, the sum of ~~two~~ five million dollars ($5,000,000) ~~($2,000,000) in recurring funds for the 2005-2006 fiscal year, and the sum of two million dollars ($2,000,000) in recurring funds~~ for the 2006-2007 fiscal year shall be ~~used for federally qualified health centers, for those health centers that meet the criteria for federally qualified health centers, and for State-designated rural health centers and public health departments and~~

~~other clinics to:~~allocated to federally qualified health centers and those health centers that meet the criteria for federally qualified health centers, State-designated rural health centers, free clinics, public health departments, and other nonprofit organizations that provide primary and preventive medical services to uninsured or medically indigent patients to:

(1) Increase access to preventative and primary care services by uninsured or medically indigent patients in existing or new health center locations;

(2) Establish community health center services in counties where no such services exist;

(3) Create new services or augment existing services provided to uninsured or medically indigent patients, including primary care and preventative medical services, dental services, pharmacy, and behavioral health; and

(4) Increase capacity necessary to serve the uninsured by enhancing or replacing facilities, equipment, or technologies.

Grant funds may not be used to enhance or increase compensation or other benefits of personnel, administrators, directors, consultants, or any other parties. Grant funds may not be used to supplant federal funds traditionally received by federally qualified community health centers and may not be used to finance or satisfy any existing debt. ~~The Department of Health and Human Services shall distribute funds on the basis of the availability of other funds for the agency, and also on the basis of incidence of poverty or percentage of indigent clients served.~~In distributing funds, the Department of Health and Human Services shall consider the availability of other funds for the agency, the incidence of poverty or indigent clients served, arrangements for after-hours care, and collaboration with the applicant's community hospital and other safety net organizations."

Senate Only

EDUCATION ON PREVENTION OF PRETERM BIRTHS

SECTION 10.17. Of the funds appropriated in this act to the Department of Health and Human Services, Division of Public Health, the sum of one hundred fifty thousand dollars ($150,000) for the 2006-2007 fiscal year shall be used to provide education to women on the benefits of progesterone for those who have had preterm births and to purchase medication for eligible minority and low-income women until the medication becomes readily available through the Medicaid Program. The Division of Public Health shall evaluate the impact of the use of these funds and shall share the outcomes of the evaluation with the Division of Medical Assistance, 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.

Senate and House Differ

Senate Version

COMMUNITY-FOCUSED ELIMINATING HEALTH DISPARITIES INITIATIVE

SECTION 10.18. Of funds appropriated in this act to the Department of Health and Human Services for the 2006-2007 fiscal year, the sum of two million dollars ($2,000,000) shall be allocated for the Community-Focused Eliminating Health Disparities Initiative (CFEHDI) to provide grants-in-aid to local public health departments, American Indian tribes, and faith-based and community-based organizations to close the gap in the health status of African-Americans, Hispanics/Latinos, and American Indians as compared to white persons. These grants shall focus on the use of preventive measures to support health lifestyles. The areas of focus on health status shall be infant mortality, HIV-AIDS and sexually transmitted infections, cancer, diabetes, and homicides and motor vehicle deaths. These funds shall also be used to support one FTE in the Department of Health and Human Services to monitor, track, and evaluate grantees' progress in meeting performance-based standards and outcomes established by the Department. S only

House Version

COMMUNITY-FOCUSED ELIMINATING HEALTH DISPARITIES INITIATIVE

SECTION 10.18. Of funds appropriated in this act to the Department of Health and Human Services for the 2006-2007 fiscal year, the sum of two million dollars ($2,000,000) shall be allocated for the Community-Focused Eliminating Health Disparities Initiative (CFEHDI) to provide grants-in-aid to local public health departments, American Indian tribes, and faith-based and community-based organizations to close the gap in the health status of African-Americans, Hispanics/Latinos, and American Indians as compared to white persons. These grants shall focus on the use of preventive measures to support healthy lifestyles. The areas of focus on health status shall be infant mortality, HIV-AIDS and sexually transmitted infections, cancer, diabetes, and homicides and motor vehicle deaths.

Senate Only

AUTHORIZE ONE NEW POSITION FOR HEALTHY CAROLINIANS INITIATIVE

SECTION 10.18A. The Department of Health and Human Services, Division of Public Health, may use funds appropriated for the 2006-2007 fiscal year to support one new position for the Healthy Carolinians Initiative.

Senate and House Differ

Senate Version

CLARIFICATION OF CERTAIN AUDIT REQUIREMENTS

SECTION 10.19. G.S. 143B-139.4.(b) reads as rewritten:

"(b) A private, nonprofit organization that receives employee assistance or other appropriate services in accordance with subsection (a) of this section, shall document all contributions received, including employee time, supplies, materials, equipment, and physical space. The documentation shall also provide an estimated value of all contributions received as well as any compensation paid to or bonuses received by State employees. This documentation shall be submitted annually to the Secretary of the Department of Health and Human Services in a format approved by the Secretary. Nonprofit organizations with less than five hundred thousand dollars ($500,000) in annual income shall submit an affidavit from the chief officer of the organization providing and attesting to the financial condition of the organization and the expenditure of funds or use of State employee services or other State services. The board of directors of each private, nonprofit organization with an annual income of five hundred thousand dollars ($500,000) or more shall secure and pay for the services of the State Auditor's Office or employ a certified public accountant to conduct an annual audit of the financial accounts of the organization. The board of directors shall transmit to the Secretary of the Department a copy of the annual financial audit report of the private nonprofit organization. Nothing in this subsection shall be construed to relieve the private, nonprofit organization from other applicable reporting requirements established by law."

House Version

CLARIFICATION OF CERTAIN AUDIT REQUIREMENTS

SECTION 10.19. G.S. 143B-139.4.(b) reads as rewritten:

"(b) A private, nonprofit organization that receives employee assistance or other appropriate services in accordance with subsection (a) of this section, shall document all contributions received, including employee time, supplies, materials, equipment, and physical space. The documentation shall also provide an estimated value of all contributions received as well as any compensation paid to or bonuses received by State employees. This documentation shall be submitted annually to the Secretary of the Department of Health and Human Services in a format approved by the Secretary. Nonprofit organizations with less than five hundred thousand dollars ($500,000) in annual income shall submit an affidavit or annual audit from the chief officer of the organization providing and attesting to the financial condition of the organization and the expenditure of funds or use of State employee services or other State services, within six months from the nonprofit's fiscal year end. The board of directors of each private, nonprofit organization with an annual income of five hundred thousand dollars ($500,000) or more shall secure and pay for the services of the State Auditor's Office or

H only

employ a certified public accountant to conduct an annual audit of the financial accounts of the organization. The board of directors shall transmit to the Secretary of the Department a copy of the annual financial audit report of the private nonprofit organization. Nothing in this subsection shall be construed to relieve the private, nonprofit organization from other applicable reporting requirements established by law."

House Only

FUNDS TO ASSIST RURAL HOSPITALS

SECTION 10.19A. Of the funds appropriated in this act to the Department of Health and Human Services, Office of Rural Health and Community Care, the sum of three million dollars ($3,000,000) for the 2006-2007 fiscal year shall be allocated to small rural hospitals in need of assistance with the operations and infrastructure maintenance of the hospital. These funds may be used for:

(1) Capital and operational needs of small rural hospitals. The Office of Rural Health and Community Care shall convene an advisory group to establish criteria for distribution of these funds. The criteria shall include the number of indigent patients served, the number of Medicaid recipients served, the per capita income of the area served by the hospital, and the financial needs of the hospital; and

(2) Pilot demonstration programs that address issues critical to the long-term survivability of rural hospitals such as: development of regional care networks for mental health services; restructuring of emergency department and outpatient services; and disease-focused regional referral and care networks. The Office of Rural Health and Community Care shall convene an advisory group to establish criteria for the pilot demonstration projects, distribution of funds, and monitoring and evaluation of the pilot projects.

The Office of Rural Health and Community Care shall report on the allocation of funds appropriated under this section to 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 not later than April 1, 2007.

Senate and House Differ

Senate Version

AIDS DRUG ASSISTANCE PROGRAM

SECTION 10.21. Section 10.59(a) of S.L. 2005-276 reads as rewritten:

"**SECTION 10.59.(a)** ~~For the 2005-2006 fiscal year and for the 2006-2007 fiscal year, HIV-positive individuals with incomes at or below one hundred twenty-five percent (125%) of the federal poverty level are eligible for participation in ADAP. Eligibility for participation in ADAP during the 2005-2007 fiscal biennium shall not be extended to individuals with incomes above one hundred twenty-five percent (125%) of the federal poverty level.~~For the 2006-2007 fiscal year, the Department may adjust the financial eligibility criterion of the ADAP Program up to an amount not exceeding two hundred fifty percent (250%) of the federal poverty level in order to serve as many eligible North Carolinians living with HIV disease as possible within existing resources plus any new federal resources. If the Department raises the eligibility limit above one hundred twenty-five percent (125%) of the federal poverty level and a waiting list develops as a result, the Department shall give priority on the waiting list to those individuals at or below one hundred twenty-five percent (125%) of the federal poverty level."

House Version

AIDS DRUG ASSISTANCE PROGRAM

SECTION 10.21. Section 10.59(a) of S.L. 2005-276 reads as rewritten:

"**SECTION 10.59.(a)** ~~For the 2005-2006 fiscal year and for the 2006-2007 fiscal year, HIV-positive individuals with incomes at or below one hundred twenty-five percent (125%) of the federal poverty level are eligible for participation in ADAP. Eligibility for participation in ADAP during the 2005-2007 fiscal biennium shall not be extended to individuals with incomes above one hundred twenty-five percent (125%) of the federal poverty level.~~For the 2006-2007 fiscal year, the Department may adjust the financial eligibility criterion of the ADAP Program up to an amount not exceeding two hundred fifty percent (250%) of the federal poverty level in order to serve as many eligible North Carolinians living with HIV disease as possible within existing resources plus any new federal resources. If the Department raises the eligibility limit above one hundred twenty-five percent (125%) of the federal poverty level and a waiting list develops as a result, the Department shall give priority on the waiting list to those individuals at or below one hundred twenty-five percent (125%) of the federal poverty level. The Commission for Health Services shall adopt temporary rules in accordance with G.S. 150B-21.1 to implement adjustments in financial eligibility, including wait-list priorities, as soon as possible in order to access additional federal funds made available for ADAP program services." H only

House Only

LONG TERM CARE OMBUDSMAN AND NC SOCIAL SERVICES CONSORTIUM COOPERATE ON QUALITY IMPROVEMENT PROGRAM IMPLEMENTATION

SECTION 10.21A. Of the positions funded in this act for the Long Term Care Ombudsman Program, a sufficient number shall be allocated to test the Quality Improvement Program in two pilot counties prior to the Quality Improvement Program's implementation statewide. The Long Term Care Ombudsman Program shall work with the NC Social Services Consortium to implement the requirements of this section.

Senate Only

TRANSFER ADVOCACY AND CUSTOMER SERVICE SECTION TO OFFICE OF THE SECRETARY

SECTION 10.24. The Advocacy and Customer Service Section of the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services is transferred to the Office of the Secretary of the Department of Health and Human Services. The transfer has the elements of a Type I transfer as defined in G.S. 143A-6. In addition to its other responsibilities, the Advocacy and Customer Service Section shall assume and carry out the requirements of the Consumer Advocacy Program as established under Article 1A of Chapter 122C of the General Statutes.

Senate Only

AUTHORIZE LOCAL MANAGEMENT ENTITIES TO TRANSFER FUNDS BETWEEN AGE AND DISABILITY CATEGORIES

SECTION 10.25.(a) Notwithstanding G.S. 143-23, an area authority or a county program may transfer from one age or disability category to a different age or disability category up to fifteen percent (15%) of the funds initially allocated to the age or disability category from which funds are being transferred. Prior to the transfer, the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services shall verify that the transfer meets applicable federal requirements. Area authorities and county programs shall:

(1) Publicly document that they have addressed the service needs of the category from which the funds are being transferred before any transfer may occur, and

(2) Submit the required documentation to the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services and to the Fiscal Research Division within 15 days of making the transfer.

SECTION 10.25.(b) This section expires July 1, 2007.

Senate and House Differ

Senate Version

AREA AUTHORITY AND COUNTY PROGRAM CRISIS REGIONS

SECTION 10.26.(a) Using funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, and allocated to area authorities and county programs for this purpose, area authorities and county programs shall organize themselves into no more than 21 crisis regions based upon the existing Geriatric Specialty team configurations or other approved regions. These funds shall be allocated to each area authority or county programs on a per capita basis. The funds may be used for operational start-up, capital, or subsidies related to developing a continuum of crisis services. No more than three percent (3%) may be spent for administrative costs. The area authorities and county program within a crisis region shall work together to identify gaps in their ability to provide a continuum of crisis services for all consumers and use the funds allocated to them to develop and implement a plan to address those needs. At a minimum, the plan must address the development over time of the following components: 24-hour crisis telephone lines, walk-in crisis services, mobile crisis outreach, crisis respite/residential services, crisis stabilization units, 23-hour beds, facility-based crisis, in-patient crisis and transportation. Options for voluntary admissions to a secured facility must include at least one service appropriate to address the mental health, developmental disability, and substance abuse needs of adults, and the mental health, developmental disability, and substance abuse needs of children. Options for involuntary commitment to a secured facility must include at least one option in addition to admission to a State facility.

If all area authorities and county programs in a crisis region determine that a facility-based crisis center is needed and sustainable on a long-term basis, the crisis region shall attempt to secure those services through a community hospital or other community facility first. If all the area authorities and county programs in the crisis region determine the region's crisis needs are being met, the area authorities and county programs may use the funds to meet local crisis service needs.

SECTION 10.26.(b) Of the funds appropriated in this act for consultant services to aid local management entities and the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, the sum of two hundred twenty-five thousand dollars ($225,000) shall be used for consulting services engaged pursuant to this subsection. Each area authority and county program and each crisis region shall utilize the technical assistance of a consultant under contract with the Department of Health and Human Services to develop and implement its crisis services plan. The consultant shall assist area authorities and county programs and crisis regions to identify local and regional gaps in crisis services, identify options for providing services, implement new services, and maintain transparency and accountability for the use of funds. The crisis region or area authorities and county programs shall submit their crisis services plan to the consultant and to the Division of Mental Health,

Developmental Disabilities, and Substance Abuse Services (Division) for review and public comment. The crisis regions and area authorities and county programs shall consider the comments prior to submitting a final plan for implementation. Upon submission of a final plan to the Department of Health and Human Services, each crisis region, area authority, and county program will receive implementation funds. Funds not expended during the 2006-2007 fiscal year shall not revert.

Area authorities and county programs and crisis regions shall report monthly to the consultant and to the Division regarding the use of the funds, whether there has been a reduction in the use of State psychiatric hospitals for acute admissions, and remaining gaps in local and regional crisis services. The consultant shall report regularly to the General Assembly, the Fiscal Research Division, and the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services regarding each crisis region's and area authorities' and county programs' proposed and actual use of the funds.

House Version

AREA AUTHORITY AND COUNTY PROGRAM CRISIS REGIONS

SECTION 10.26.(a) Of the funds appropriated in this act to the Department of Health and Human Services, the sum of five million two hundred fifty thousand dollars ($5,250,000) for the 2006-2007 fiscal year shall be allocated on a per capita basis and shall be used by area authorities and county programs for operational start-up, capital, or subsidies related to the development and implementation of a plan for a continuum of regional crisis facilities and local crisis services ("crisis plan"). Funds not expended during the 2006-2007 fiscal year shall not revert to the General Fund but shall remain available for the purposes outlined in this subsection. As used in this subsection, the term "crisis" includes services for individuals with mental illnesses, developmental disabilities, and substance abuse addictions.

SECTION 10.26.(b) Of the funds appropriated in this act to the Department of Health and Human Services, the sum of two hundred twenty-five thousand dollars ($225,000) for the 2006-2007 fiscal year shall be used by the Department to hire a consultant to provide technical assistance to Local Management Entities (LMEs) to develop and implement the crisis plans required under subsection (a) of this section. As used in this subsection, the term "consultant" may refer to an individual or a business entity such as a corporation, a partnership, or a limited liability company. The roles and responsibilities of the Department, the consultant, and the LMEs are more fully explained in subsection (c) of this section. Funds not expended during the 2006-2007 fiscal year shall not revert to the General Fund but shall remain available for the purposes outlined in this subsection.

SECTION 10.26.(c) The Department of Health and Human Services shall hire a consultant to assist LMEs to carry out the requirements of this section. In addition to any other factors the Department determines are relevant when selecting the consultant, the Department shall take into consideration whether an applicant has prior experience evaluating crisis services at a local, regional, and statewide level, prior experience assisting State and local public agencies develop and implement crisis

services, and the ability to implement its responsibilities within the time frames established under this section.

The consultant shall do all of the following:

(1) Develop a model for a continuum of crisis services for an urban area and for a rural area. The model shall outline how an LME, or a group of LMEs, can develop over a period of time the following components: 24-hour crisis telephone lines, walk-in crisis services, mobile crisis outreach, crisis respite/residential services, crisis stabilization units, 23-hour beds, regional crisis facilities, inpatient crisis and transportation. Options for voluntary admissions to a secured facility shall include at least one service appropriate to address the mental health, developmental disability, and substance abuse needs of adults, and the mental health, developmental disability, and substance abuse needs of children. Options for involuntary commitment to a secured facility shall include at least one option in addition to admission to a State facility. These models shall be the first deliverable under the consultant's contract.

(2) Review the findings and recommendations regarding crisis services developed by the Department as part of the long-range plan required under Section 10.24 of S.L. 2005-276. The consultant shall use this information and any other information it determines to: identify local and regional gaps in crisis services; identify options for providing those services; assist LMEs with developing and implementing a plan to provide a continuum of crisis services; and maintain transparency and accountability for the use of funds appropriated under this section.

(3) Designate appropriate groupings of LMEs for the development of regional crisis facilities. As used in this section, the term "regional crisis facility" means a facility-based crisis unit that serves an area that may be larger than the catchment area of a single LME. The consultant shall consult with LMEs in determining the grouping of LMEs for regional crisis facilities. The consultant shall also take into consideration geographical factors, prior LME groupings and partnerships, and existing community facilities. Each LME shall participate in the regional grouping established by the consultant in order to be eligible to receive funding under this section.

The consultant shall work with each regional group to determine whether a facility-based crisis center is needed in that region and whether one would be financially sustainable on a long-term basis. If the regional group and the consultant determine that a regional crisis facility is needed and sustainable, the regional group shall attempt to secure those services through a community hospital or other community facility first.

(4) Assist LMEs to develop a plan to implement a continuum of local crisis services. The plan shall be consistent with the models developed

by the consultant under subdivision (1) of this subsection and shall address any gaps in crisis services identified by the study required under Section 10.24 of S.L. 2005-276. The plan for a continuum of local crisis services may be combined with a plan for the implementation of a regional crisis facility.

SECTION 10.26.(d) The Department may allocate up to three percent (3%) of the funds appropriated under subsection (a) of this section to LMEs to assist them with the cost of developing their crisis services plans. Each LME shall submit its crisis services plan to the consultant and to the Department for review no later than March 1, 2007. The plan shall take into consideration all other sources of funds in addition to the funds appropriated under this section. The consultant and the Department shall review the plans to determine whether they meet all the requirements of this section. If the plan meets all the requirements of this section, the LME shall receive funding to implement the plan.

SECTION 10.26.(e) LMEs shall report monthly to the consultant and to the Department regarding the use of the funds, whether there has been a reduction in the use of State psychiatric hospitals for acute admissions, and any remaining gaps in local and regional crisis services. The consultant and the Department shall report quarterly to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Fiscal Research Division, and the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services regarding each LME's proposed and actual use of the funds appropriated under this section. The reporting requirement under this subsection shall expire July 1, 2008.

Senate Only

EXTEND SUNSET FOR FIRST COMMITMENT PILOT PROGRAM

SECTION 10.27. S.L. 2003-178 reads as rewritten:

"**SECTION 1.** The Secretary of Health and Human Services may, upon request of a phase-one local management entity, waive temporarily the requirements of G.S. 122C-261 through G.S. 122C-263 and G.S. 122C-281 through G.S. 122C-283 pertaining to initial (first-level) examinations by a physician or eligible psychologist of individuals meeting the criteria of G.S. 122C-261(a) or G.S. 122C-281(a), as applicable, as follows:

(1) The Secretary has received a request from a phase-one local management entity to substitute for a physician or eligible psychologist, a licensed clinical social worker, a masters level psychiatric nurse, or a masters level certified clinical addictions specialist to conduct the initial (first-level) examinations of individuals meeting the criteria of G.S. 122C-261(a) or G.S. 122C-281(a). The waiver shall be implemented on a pilot-program basis. The request from the local management entity shall be submitted as part of the entity's local business plan and shall specifically describe:

a. How the purpose of the statutory requirement would be better served by waiving the requirement and substituting the proposed change under the waiver.

b. How the waiver will enable the local management entity to improve the delivery or management of mental health, developmental disabilities, and substance abuse services.

c. How the services to be provided by the licensed clinical social worker, the masters level psychiatric nurse, or the masters level certified clinical addictions specialist under the waiver are within each of these professional's scope of practice.

d. How the health, safety, and welfare of individuals will continue to be at least as well protected under the waiver as under the statutory requirement.

(2) The Secretary shall review the request and may approve it upon finding that:

a. The request meets the requirements of this section.

b. The request furthers the purposes of State policy under G.S. 122C-2 and mental health, developmental disabilities, and substance abuse services reform.

c. The request improves the delivery of mental health, developmental disabilities, and substance abuse services in the counties affected by the waiver and also protects the health, safety, and welfare of individuals receiving these services.

d. The duties and responsibilities performed by the licensed clinical social worker, the masters level psychiatric nurse, or the

masters level certified clinical addictions specialist are within the individual's scope of practice.

(3) The Secretary shall evaluate the effectiveness, quality, and efficiency of mental health, developmental disabilities, and substance abuse services and protection of health, safety, and welfare under the waiver. The Secretary shall send a report on the evaluation to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substances Abuse Services on or before July 1, 2006.

(4) The waiver granted by the Secretary under this section shall be in effect ~~for a period not to exceed three years, or the period for which the requesting local management entity's business plan is approved, whichever is shorter.~~until October 1, 2007.

(5) The Secretary may grant a waiver under this section to up to five local management entities that have been designated as phase-one entities as of July 1, 2003.

(6) In no event shall the substitution of a licensed clinical social worker, masters level psychiatric nurse, or masters level certified clinical addictions specialist under a waiver granted under this section be construed as authorization to expand the scope of practice of the licensed clinical social worker, the masters level psychiatric nurse, or the masters level certified clinical addictions specialist.

(7) The Department shall assure that staff performing the duties are trained and privileged to perform the functions identified in the waiver. The Department shall involve stakeholders including, but not limited to, the North Carolina Psychiatric Association, The North Carolina Nurses Association, National Association of Social Workers, The North Carolina Substance Abuse Professional Certification Board, North Carolina Psychological Association, The North Carolina Society for Clinical Social Work, and the North Carolina Medical Society in developing required staff competencies.

(8) The local management entity shall assure that a physician is available at all times to provide backup support to include telephone consultation and face-to-face evaluation, if necessary.

SECTION 2. This act becomes effective July 1, 2003, and expires ~~July 1, 2006.~~October 1, 2007."

Senate and House Differ

Senate Version

CHANGES TO THE STATE PLAN FOR MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE SERVICES

SECTION 10.28.(a) G.S. 122C-102 reads as rewritten:

"**§ 122C-102. State Plan for Mental Health, Developmental Disabilities, and Substance Abuse ~~Services.~~Services; system performance measures.**

(a) Purpose of State Plan. – The Department shall develop and implement a State Plan for Mental Health, Developmental Disabilities, and Substance Abuse Services. The purpose of the State Plan is to provide a strategic template regarding how State and local resources shall be organized and used to provide services. The State Plan shall be issued every three years beginning July 1, 2007. It shall identify specific goals to be achieved by the Department, area authorities, and county programs over a three-year period of time and benchmarks for determining whether progress is being made towards those goals. It shall also identify data that will be used to measure progress towards the specified goals. In order to increase the ability of the State, area authorities, county programs, private providers, and consumers to successfully implement the goals of the State Plan, the Department shall not adopt or implement policies that are inconsistent with the State Plan without first consulting with the Joint Legislative Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services.

(b) Content of State Plan. – The State Plan shall include the following:

(1) Vision and mission of the State Mental Health, Developmental Disabilities, and Substance Abuse Services system. S only

~~(2) Organizational structure of the Department and the divisions of the Department responsible for managing and monitoring mental health, developmental disabilities, and substance abuse services.~~

(3) Protection of client rights and consumer involvement in planning and management of system services.

(4) Provision of services to targeted populations, including criteria for identifying targeted populations.

(5) Compliance with federal mandates in establishing service priorities in mental health, developmental disabilities, and substance abuse.

(6) Description of the core services that are available to all individuals in order to improve consumer access to mental health, developmental disabilities, and substance abuse services at the local level.

(7) Service standards for the mental health, developmental disabilities, and substance abuse services system.

(8) Implementation of the uniform portal process.

(9) Strategies and schedules for implementing the service plan, including consultation on Medicaid policy with area and county programs, qualified providers, and others as designated by the Secretary,

intersystem collaboration, promotion of best practices, technical assistance, outcome-based monitoring, and evaluation.

(10) A plan for coordination of the State Plan for Mental Health, Developmental Disabilities, and Substance Abuse Services with the Medicaid State Plan, and NC Health Choice.

(11) A business plan to demonstrate efficient and effective resource management of the mental health, developmental disabilities, and substance abuse services system, including strategies for accountability for non-Medicaid and Medicaid services.

(12) Strategies and schedules for implementing a phased in plan to eliminate disparities in the allocation of State funding across county programs and area authorities by January 1, 2007, including methods to identify service gaps and to ensure equitable use of State funds to fill those gaps among all counties.

(c) State Performance Measures. – The State Plan shall also include a mechanism for measuring the State's progress towards increased performance on the following matters: access to services, consumer-focused outcomes, individualized planning and supports, promotion of best practices, quality management systems, system efficiency and effectiveness, and prevention and early intervention. Beginning October 1, 2006, and every six months thereafter, the Secretary shall report to the General Assembly and the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services on the State's progress in these performance areas."

S only

SECTION 10.28.(b) The North Carolina Department of Health and Human Services (DHHS) shall review all State Plans for Mental Health, Developmental Disabilities, and Substance Abuse Services, implemented after July 1, 2001, and before the effective date of this act and produce a single document that contains a cumulative statement of all still applicable provisions of those Plans. This cumulative document shall constitute the State Plan until July 1, 2007.

DHHS and the Secretary shall also identify those provisions in G.S. 122C-112.1, prior State Plans, and directives or communications by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services that must be adopted as administrative rules in order to be enforceable and undertake to adopt those rules.

SECTION 10.28.(c) Independent consultants hired by the Department from funds appropriated in this act for this purpose shall undertake the following tasks:

(1) Assist DHHS with the strategic planning necessary to develop the revised State Plan as required under G.S. 122C-102. The State Plan shall be coordinated with local and regional crisis service plans by area authorities and county programs.

(2) Study and make recommendations to increase the capacity of DHHS to implement system reform successfully and in a manner that maintains strong management functions by area authorities and county programs at the local level.

Same as House

(3) Assist the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to work with area authorities and county programs to:

a. Develop and implement five to ten critical performance indicators to be used to hold area authorities and county programs accountable for managing the mental health, developmental disabilities, and substance abuse services system. The performance system indicators shall be implemented no later than six months after the consultant's contract is awarded and in no event later than July 1, 2007.

b. Standardize the utilization management functions for Medicaid and non-Medicaid services and for the review and approval of person-centered plans.

c. Develop area authorities' and county programs' expertise to assume utilization management for Medicaid services. The goal shall be to have a portion of the area authorities and county programs assume that function beginning July 1, 2007, and the remainder to assume the function no later than July 1, 2009.

d. Implement other uniform procedures for the management functions of area authorities and county programs.

Same as House

(4) Provide technical assistance and oversight to private service providers, area authorities, and county programs to ensure that best practices and new services are being delivered with fidelity to the service definition model.

(5) Provide ongoing and focused technical assistance to area authorities and county programs in the implementation of their administrative and management functions and the establishment and operation of community-based programs. The Secretary shall include in the State Plan a mechanism for monitoring the Department's success in implementing this duty and the progress of area authorities and county programs in achieving these functions.

(6) Assist the Division with implementing standard forms, contracts, processes, and procedures to be used by all area authorities and county programs with other public and private service providers. These processes and procedures shall include standardized denial codes and a standard policy regarding the coordination of benefits. The independent consultant shall consult with area authorities and county programs regarding the development of these forms, contracts, processes, and procedures. Any document or process developed under this subdivision shall place an obligation upon providers to transmit to area authorities and county programs timely client information and outcome data. The independent consultant shall also recommend language regarding what constitutes a clean claim for purposes of billing. When implementing this subdivision, the independent

consultant shall balance the need for area authorities and county programs to exercise discretion in the discharge of their management responsibilities with the need of private service providers for a uniform system of doing business with public entities. The independent consultant shall also (i) identify other areas of standardization that may be implemented without undermining the authority of area authorities and county programs, and (ii) identify and eliminate processes and procedures that are duplicative or result in unnecessary paperwork.

Same as House

House Version

MH/DD/SA SERVICES CONSULTANT TASKS

SECTION 10.28. Independent consultants hired by the Department of Health and Human Services from funds appropriated in this act for consultation purposes shall undertake the following tasks:

(1) Assist the Department with the strategic planning necessary to develop the revised State Plan as required under G.S. 122C-102. The State Plan shall be coordinated with local and regional crisis service plans by area authorities and county programs.

(2) Study and make recommendations to increase the capacity of the Department to implement system reform successfully and in a manner that maintains strong management functions by area authorities and county programs at the local level.

(3) Assist the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to work with area authorities and county programs to:

Same as Senate 10.28(c)

a. Develop and implement five to ten critical performance indicators to be used to hold area authorities and county programs accountable for managing the mental health, developmental disabilities, and substance abuse services system. The performance system indicators shall be implemented no later than six months after the consultant's contract is awarded and in no event later than July 1, 2007.

b. Standardize the utilization management functions for Medicaid and non-Medicaid services and for the review and approval of person-centered plans.

c. Develop area authorities' and county programs' expertise to assume utilization management for Medicaid services. The goal shall be to have a portion of the area authorities and county programs assume that function beginning July 1, 2007, and the remainder to assume the function no later than July 1, 2009.

d. Implement other uniform procedures for the management functions of area authorities and county programs.

(4) Provide technical assistance and oversight to private service providers, area authorities, and county programs to ensure that best practices and

new services are being delivered with fidelity to the service definition model.

Senate Only

FACILITY LICENSURE REQUIREMENTS FOR OUTPATIENT SUBSTANCE ABUSE SERVICES CONSISTENT WITH FACILITY LICENSURE REQUIREMENTS FOR OUTPATIENT MENTAL HEALTH AND DEVELOPMENTAL DISABILITY SERVICES

SECTION 10.29. G.S. 122C-3(14) reads as rewritten:

"**§ 122C-3. Definitions.**

As used in this Chapter, unless another meaning is specified or the context clearly requires otherwise, the following terms have the meanings specified:

...

(14) "Facility" means any person at one location whose primary purpose is to provide services for the care, treatment, habilitation, or rehabilitation of the mentally ill, the developmentally disabled, or substance abusers, and includes:

a. An "area facility", which is a facility that is operated by or under contract with the area authority or county program. For the purposes of this subparagraph, a contract is a contract, memorandum of understanding, or other written agreement whereby the facility agrees to provide services to one or more clients of the area authority or county program. Area facilities may also be licensable facilities in accordance with Article 2 of this Chapter. A State facility is not an area facility;

b. A "licensable facility", which is a facility that provides services to individuals who are mentally ill, developmentally disabled, or substance abusers for one or more minors or for two or more adults. ~~When the services offered are provided to individuals who are mentally ill or developmentally disabled, these~~ These services shall be day services offered to the same individual for a period of three hours or more during a 24-hour period, or residential services provided for 24 consecutive hours or more. ~~When the services offered are provided to individuals who are substance abusers, these services shall include all outpatient services, day services offered to the same individual for a period of three hours or more during a 24-hour period, or residential services provided for 24 consecutive hours or more.~~ Facilities for individuals who are substance abusers include chemical dependency facilities;

c. A "private facility", which is a facility that is either a licensable facility or a special unit of a general hospital or a part of either in which the specific service provided is not covered under the terms of a contract with an area authority;

d. The psychiatric service of the University of North Carolina Hospitals at Chapel Hill;

e. A "residential facility", which is a 24-hour facility that is not a hospital, including a group home;

f. A "State facility", which is a facility that is operated by the Secretary;

g. A "24-hour facility", which is a facility that provides a structured living environment and services for a period of 24 consecutive hours or more and includes hospitals that are facilities under this Chapter; and

h. A Veterans Administration facility or part thereof that provides services for the care, treatment, habilitation, or rehabilitation of the mentally ill, the developmentally disabled, or substance abusers."

Senate Only

LME FINANCIAL REPORTS TO COUNTY REVIEWED BY COUNTY FINANCE OFFICERS

SECTION 10.31.(a) G.S. 122C-117(c) reads as rewritten:

"(c) Within 30 days of the end of each quarter of the fiscal year, the area director and finance officer of the area authority shall provide to each member of the board of county commissioners the quarterly report of the area authority. The quarterly report shall also be presented to the county finance officer for review and comment. The clerk to the board of commissioners shall notify the area director and finance officer if it has not received the quarterly report required by this subsection.This information shall be presented in a format prescribed by the county. At least twice a year, this information shall be presented in person and shall be read into the minutes of the meeting at which it is presented. In addition, the area director or finance officer of the area authority shall provide to the board of county commissioners ad hoc reports as requested by the board of county commissioners."

SECTION 10.31.(b) Article 23 of Chapter 153A of the General Statutes is amended by adding the following new section to read:

"**§ 153A-453. Quarterly reports of Mental Health, Developmental Disabilities, and Substance Abuse Services area authority or county program.**

Quarterly reports by the area director and finance officer of Mental Health, Developmental Disabilities, and Substance Abuse Services area authorities or county programs shall be submitted to the county finance officer as provided under G.S. 122C-117(c)."

Senate and House Differ

Senate Version

LOCAL MANAGEMENT ENTITY ADMINISTRATIVE FUNCTIONS

SECTION 10.32. The Department of Health and Human Services shall recalculate local management entity (LME) systems management allocations for fiscal year 2006-2007 to include funds for each LME to implement 24-hour, seven days a week screening, triage, and referral, and to review, monitor, and comment on all person-centered plans. The Department shall allocate funds appropriated in this act for this purpose to LMEs to implement the functions described in this section.

House Version

LOCAL MANAGEMENT ENTITY ADMINISTRATIVE FUNCTIONS

SECTION 10.32. The Department of Health and Human Services shall recalculate local management entity (LME) systems management allocations for fiscal year 2006-2007 to include funds for each LME to implement the following:

(1) 24-hour, seven days a week screening, triage, and referral;

(2) Provider endorsement, monitoring, technical assistance, capacity development, and quality control;

(3) Authorization of all State-funded services;

(4) Care coordination, including the direct monitoring of the effectiveness of person-center plans;

(5) Community collaboration and consumer affairs; and

(6) Financial management and accountability and information management.

Senate Only

PORTION OF PROCEEDS FROM ALCOHOL EXCISE TAX DEPOSITED TO TRUST FUND FOR MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE SERVICES AND BRIDGE FUNDING NEEDS

SECTION 10.33.(a) Part 4 of Article 2C of Chapter 105 of the General Statutes is amended by adding a new section to read:

"**§ 105-113.82A. Distribution to the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs.**

After setting aside funds for the distributions required by G.S. 105-113.81A and G.S. 105-113.82, the Secretary shall on a monthly basis distribute to the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs, established under G.S. 143-15.3D, five percent (5%) of the net proceeds of the amount of excise taxes collected under this Article on malt beverages, unfortified wine, fortified wine, and spirituous liquor."

SECTION 10.33.(b) This section becomes effective July 1, 2006, and applies to taxes collected on or after that date.

Senate and House Differ

Senate Version

DISTRIBUTION OF MENTAL HEALTH AND SUBSTANCE ABUSE SERVICES FUNDS

SECTION 10.33A. Funds appropriated in this act for mental health services and substance abuse services shall be allocated to local management entities such that each local management entity receives a percentage of the total allocation that is equal to that local management entity's percentage of the State's total population that is below the federal poverty level.

House Version

DISTRIBUTION OF MENTAL HEALTH, SUBSTANCE ABUSE AND CRISIS SERVICES FUNDS

SECTION 10.33A.(a) Funds appropriated in this act for mental health services, substance abuse services, and crisis services shall be allocated to local management entities such that each local management entity receives a percentage of the total allocation that is equal to that local management entity's percentage of the State's total population that is below the federal poverty level.

SECTION 10.33A.(b) Funds allocated pursuant to subsection (a) of this section for substance abuse services may be used to replace lost federal funding for substance abuse services in drug treatment courts, provided that such funds shall be allocated only in the amount of lost funding and shall not exceed one million seven hundred thousand dollars ($1,700,000). Before allocating these funds, the Department of Health and Human Services shall verify the loss of federal funding for substance abuse services in drug treatment courts and the amount of federal funds lost.

SECTION 10.33A.(c) The local management entity shall consult with the local drug treatment court team and shall select a treatment provider that meets all provider qualification requirements and the drug treatment court's needs. A single treatment provider may be chosen for non-Medicaid-eligible participants only. A single provider may be chosen who can work with all of the non-Medicaid-eligible drug treatment court participants in a single group. H only

SECTION 10.33A.(d) The Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall study whether the target population for substance abuse services needs to be expanded to include more participants of the drug treatment courts, and shall report its findings 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 not later than April 1, 2007.

Senate Only

DEPARTMENT'S DUTY TO PROVIDE TECHNICAL ASSISTANCE TO AREA AUTHORITIES AND COUNTY PROGRAMS

SECTION 10.33B. G.S. 122C-112.1(a)(9) reads as rewritten:

"**§ 122C-112.1. Powers and duties of the Secretary.**

(a) The Secretary shall do all of the following:

...

"(9) ~~Assist~~ Provide ongoing and focused technical assistance to area authorities and county programs in the implementation of their administrative and management functions and the establishment and operation of community-based programs. The Secretary shall include in the State Plan a mechanism for monitoring the Department's success in implementing this duty and the progress of area authorities and county programs in achieving these functions."

Senate Only

STRENGTHEN LOCAL MANAGEMENT ENTITIES

SECTION 10.33C.(a) G.S. 122C-3 is amended by adding the following new subdivision to read:

"**§ 122C-3. Definitions.**

~~As used in this Chapter, unless another meaning is specified or the context clearly requires otherwise, the following terms have the meanings specified:~~The following definitions apply in this Chapter:

...

(20b) "Local management entity" or "LME" means an area authority, county program, or consolidated human services agency."

SECTION 10.33C.(b) G.S. 122C-111 reads as rewritten:

"**§ 122C-111. Administration.**

The Secretary shall administer and enforce the provisions of this Chapter and the rules of the Commission and shall operate State facilities. An area director or program director shall (i) manage the public mental health, developmental disabilities, and substance abuse system for ~~administer the programs of~~ the area authority or county ~~program, as applicable,~~ program according to the local business plan, and (ii) enforce applicable State laws, rules of the Commission, and rules of the Secretary. The Secretary in cooperation with area and county program directors and State facility directors shall provide for the coordination of public services between area authorities, county programs, and State facilities. The area authority or county program shall monitor the provision of mental health, developmental disability, and substance abuse services for compliance with the law, which monitoring shall not supersede or duplicate the regulatory authority or functions of agencies of the Department."

SECTION 10.33C.(c) G.S. 122C-115.2(a) reads as rewritten:

"**§ 122C-115.2. ~~Business~~ LME business plan required; content, process, certification.**

(a) Every county, through an area authority or county program, shall provide for the development, review, and approval of ~~a~~ an LME business plan for the management and delivery of mental health, developmental disabilities, and substance abuse services. ~~A~~ An LME business plan shall provide detailed information on how the area authority or county program will meet State standards, laws, and rules for ensuring quality mental health, developmental disabilities, and substance abuse services, including outcome measures for evaluating program effectiveness. The business plan shall be in effect for at least three State fiscal years."

SECTION 10.33C.(d) Article 4 of Chapter 122C is amended by adding a new section to read:

"**§ 122C-115.4. Responsibilities of local management entities.**

(a) Local management entities are responsible for the administration and management of the public system of mental health, developmental disabilities, and substance abuse services at the community level. An LME plans, develops, implements, and monitors services within a specified geographic area for both insured and uninsured individuals.

(b) The core functions of an LME include all of the following:

(1) Access for all citizens to core services through the implementation of a 24-hour a day, seven-day a week screening, triage, and referral process and a uniform portal of entry into care.

(2) Provider endorsement, monitoring, technical assistance, and capacity development. An LME may remove as a choice a provider who fails to meet defined quality criteria or fails to provide data required for monitoring client outcomes.

(3) Utilization review and determination of the appropriate level and intensity of services for all State-funded services, authorization of recipients of services under a Medicaid waiver, review and approval of all person-centered plans, utilization management for all services, care coordination, quality management, and authorization of State psychiatric hospital and other State facility bed days.

(4) Community collaboration and consumer affairs including assurance of rights, appeals, establishment of, and support for an effective consumer and family advisory committee.

(5) Financial management and accountability including information management for the delivery of publicly funded services for mental illness, developmental disabilities, and substance abuse.

(c) An area authority or county program may contract with any public or private entity for the implementation of some or all of the LME responsibilities articulated under this section. A consolidated human services agency may contract with any public or private entity for the implementation of some or all of the LME responsibilities subject to the requirements of G.S. 122C-127. The Secretary may remove one or more of the responsibilities enumerated under subsection (b) of this section only after the Secretary has made an individualized finding that a particular area authority or county program is not providing minimally adequate services under G.S. 122C-124.1 or is in imminent danger of failing financially under G.S. 122C-125. The notice and procedural requirements of G.S. 122C-124.1 and G.S. 122C-125 shall apply to the findings."

SECTION 10.33C.(e) G.S. 122C-118.1 reads as rewritten:

"**§ 122C-118.1. Structure of area board.**

(a) An area board shall have no fewer than 11 and no more than 25 members. In a single-county area authority, the members shall be appointed by the board of county commissioners. Except as otherwise provided, in areas consisting of more than one county, each board of county commissioners within the area shall appoint one commissioner as a member of the area board. These members shall appoint the other members. The boards of county commissioners within the multicounty area shall have the option to appoint the members of the area board in a manner other than as required under this section by adopting a resolution to that effect. The boards of county commissioners in a multicounty area authority shall indicate in the business plan each board's method of appointment of the area board members in accordance with G.S. 122C-115.2(b). These appointments shall take into account sufficient citizen participation, ~~equitable~~ representation of the disability groups, and equitable

representation of participating counties. Individuals appointed to the board shall include an individual with financial ~~expertise or~~ expertise, a county finance officer, an individual with expertise in management or business, and an individual representing the interests of children. A member of the board may be removed with or without cause by the initial appointing authority. Vacancies on the board shall be filled by the initial appointing authority before the end of the term of the vacated seat or within 90 days of the vacancy, whichever occurs first, and the appointments shall be for the remainder of the unexpired term.

(b) ~~At least~~ Not more than fifty percent (50%) of the members of the area board shall represent the following:

(1) A physician licensed under Chapter 90 of the General Statutes to practice medicine in North Carolina who, when possible, is certified as having completed a residency in psychiatry.

(2) A clinical professional from the fields of mental health, developmental disabilities, or substance abuse.

(3) ~~A~~ At least one family member or ~~an~~ individual from a citizens' ~~organizations~~ organization composed primarily of consumers or their family members, representing the interests of individuals:

a. With mental illness; ~~and~~

b. In recovery from addiction; ~~and~~ or

c. With developmental disabilities.

(4) ~~Openly~~ At least one openly declared ~~consumers:~~consumer:

a. With mental illness; ~~and~~

b. With developmental ~~disabilities; and~~ disabilities; or

c. In recovery from addiction.

(c) The board of county commissioners may elect to appoint a member of the area authority board to fill concurrently more than one category of membership if the member has the qualifications or attributes of more than one category of membership.

(d) Any member of an area board who is a county commissioner serves on the board in an ex officio capacity. The terms of county commissioners on an area board are concurrent with their terms as county commissioners. The terms of the other members on the area board shall be for ~~four~~ three years, except that upon the initial formation of an area board ~~one-fourth~~ one-third shall be appointed for one year, ~~one-fourth~~ one-third for two years, ~~one-fourth for three years,~~ and all remaining members for ~~four~~ three years. Members ~~other than county commissioners~~ shall not be appointed for more than two consecutive terms. Board members serving as of July 1, 2006, may remain on the board for one additional term.

(e) Upon request, the board shall provide information pertaining to the membership of the board that is a public record under Chapter 132 of the General Statutes."

SECTION 10.33C.(f) G.S. 122C-115.1(g) reads as rewritten:

"(g) In a single-county program, an advisory committee shall be appointed by the board of county commissioners and shall report to the county manager. The appointments shall take into account sufficient citizen participation, equitable

representation of the disability groups, and equitable representation of participating counties. ~~At least fifty percent (50%) of the~~ The membership shall conform to the requirements in ~~G.S. 122C-118.1(b)(1)-(4).~~ G.S. 122C-118.1. In a multicounty program, the advisory committee shall be appointed in accordance with the terms of the interlocal agreement."

SECTION 10.33C.(g) G.S. 153A-149(c)(22) reads as rewritten:

"(c) Each county may levy property taxes for one or more of the purposes listed in this subsection up to a combined rate of one dollar and fifty cents ($1.50) on the one hundred dollars ($100.00) appraised value of property subject to taxation. Authorized purposes subject to the rate limitation are:

...

(22) Mental Health. – To provide for the county's share of the cost of maintaining and administering services offered ~~by~~ by, to, or through the area mental health, developmental disabilities, and substance abuse ~~authority.~~ authority or the county program for mental health, developmental disabilities, and substance abuse services."

SECTION 10.33C.(h) G.S. 153A-247 reads as rewritten:

"**§ 153A-247. Provision for public health and mental health.**

A county may provide for and regulate the public health ~~pursuant to~~ under Chapter 130A of the General Statutes and any other law authorizing local public health activities and may provide mental ~~health[,] mental retardation,~~ health, developmental disabilities, and substance abuse ~~programs pursuant to Chapter 122C of the General Statutes.~~programs."

SECTION 10.33C.(i) G.S. 122C-141 is amended by adding a new subsection to read:

"(d) A county may be a qualified public provider and may, under Article 20 of Chapter 160A of the General Statutes, enter into an interlocal agreement with one or more other counties to operate as a qualified public provider."

SECTION 10.33C.(j) G.S. 122C-112.1(a) reads as rewritten:

"**§ 122C-112.1. Powers and duties of the Secretary.**

(a) The Secretary shall do all of the following:

(1) Oversee development of the State Plan for Mental Health, Developmental Disabilities, and Substance Abuse Services.

(2) Enforce the provisions of this Chapter and the rules of the Commission and the Secretary.

(3) Establish a process and criteria for the submission, review, and approval or disapproval of LME business plans submitted by area authorities and counties for the management and provision of mental health, developmental disabilities, and substance abuse services.

(4) Adopt rules specifying the content and format of LME business plans.

(5) Review business plans and, upon approval of the LME business plan, certify the submitting area authority or county program to provide mental health, developmental disabilities, and substance abuse ~~services.~~services in the applicable catchment area.

(6) Establish comprehensive, cohesive oversight and monitoring procedures and processes to ensure continuous compliance by area authorities, county programs, and all providers of public services with State and federal policy, law, and standards. Procedures shall include performance measures and report cards for each area authority and county program.

(7) Conduct regularly scheduled monitoring and oversight of area authority, county programs, and all providers of public services. Monitoring and oversight shall include compliance with the program business plan, core administrative functions, and fiscal and administrative practices and shall also address outcome measures, consumer satisfaction, client rights complaints, and adherence to best practices.

(8) Make findings and recommendations based on information and data collected pursuant to subdivision (7) of this subsection and submit these findings and recommendations to the applicable area authority board, county program director, board of county commissioners, providers of public services, and to the Local Consumer Advocacy Office.

(9) Assist area authorities and county programs in the establishment and operation of community-based programs.

(10) Operate State facilities and adopt rules pertaining to their operation.

(11) Develop a unified system of services provided ~~in area, county, and~~ at the community level, by State facilities, and by providers enrolled or under a contract with the ~~State.~~State and an area authority or county program.

(12) Adopt rules governing the expenditure of all funds for mental health, developmental disabilities, and substance abuse programs and services.

(13) Adopt rules to implement the appeal procedure authorized by G.S. 122C-151.2.

(14) Adopt rules for the implementation of the uniform portal process.

(15) Except as provided in G.S. 122C-26(4), adopt rules establishing procedures for waiver of rules adopted by the Secretary under this Chapter.

(16) Notify the clerks of superior court of changes in the designation of State facility regions and of facilities designated under G.S. 122C-252.

(17) Promote public awareness and understanding of mental health, mental illness, developmental disabilities, and substance abuse.

(18) Administer and enforce rules that are conditions of participation for federal or State financial aid.

(19) Carry out G.S. 122C-361.

(20) Monitor the fiscal and administrative practices of area authorities and county programs to ensure that the programs are accountable to the State for the management and use of federal and State funds allocated

for mental health, developmental disabilities, and substance abuse services. The Secretary shall ensure maximum accountability by area authorities and county programs for rate-setting methodologies, reimbursement procedures, billing procedures, provider contracting procedures, record keeping, documentation, and other matters pertaining to financial management and fiscal accountability. The Secretary shall further ensure that the practices are consistent with professionally accepted accounting and management principles.

(21) Provide technical assistance, including conflict resolution, to counties in the development and implementation of area authority and county program business plans and other matters, as requested by the county.

(22) Develop a methodology to be used for calculating county resources to reflect cash and in-kind contributions of the county.

(23) Adopt rules establishing program evaluation and management of mental health, developmental disabilities, and substance abuse services.

(24) Adopt rules regarding the requirements of the federal government for grants-in-aid for mental health, developmental disabilities, or substance abuse programs which may be made available to area authorities or county programs or the State. This section shall be liberally construed in order that the State and its citizens may benefit from the grants-in-aid.

(25) Adopt rules for determining minimally adequate services for purposes of G.S. 122C-124.1 and G.S. 122C-125.

(26) Establish a process for approving area authorities and county programs to provide services directly in accordance with G.S. 122C-141.

(27) Sponsor training opportunities in the fields of mental health, developmental disabilities, and substance abuse.

(28) Enforce the protection of the rights of clients served by State facilities, area authorities, county programs, and providers of public services.

(29) Adopt rules for the enforcement of the protection of the rights of clients being served by State facilities, area authorities, county programs, and providers of public services.

(30) Prior to requesting approval to close a State facility under G.S. 122C-181(b):

a. Notify the Joint Legislative Commission on Governmental Operations, the Joint Legislative Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, and members of the General Assembly who represent catchment areas affected by the closure; and

b. Present a plan for the closure to the members of the Joint Legislative Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, the House of Representatives Appropriations Subcommittee on Health and

Human Services, and the Senate Appropriations Committee on Health and Human Services for their review, advice, and recommendations. The plan shall address specifically how patients will be cared for after closure, how support services to community-based agencies and outreach services will be continued, and the impact on remaining State facilities. In implementing the plan, the Secretary shall take into consideration the comments and recommendations of the committees to which the plan is presented under this subdivision.

(31) Ensure that the State Plan for Mental Health, Developmental Disabilities, and Substance Abuse Services"

Senate Only

CONSUMER AND FAMILY ADVISORY COMMITTEES ESTABLISHED BY AREA AUTHORITIES AND COUNTY PRORAMS

SECTION 10.33D. Article 4 of Chapter 122C is amended by adding a new Part to read:

"Part 4A. Consumer and Family Advisory Committees.

"**§ 122C-170. Local Consumer and Family Advisory Committees.**

(a) Area authorities and county programs shall establish committees made up of consumers and family members to be known as Consumer and Family Advisory Committees (CFACS). A local CFAC shall be a self-governing and a self-directed organization that advises the area authority or county program in its catchment area on the planning and management of the local public mental health, developmental disabilities, and substance abuse services system.

Each CFAC shall adopt bylaws to govern the selection and appointment of its members, their terms of service, the number of members, and other procedural matters. At the request of either the CFAC or the governing board of the area authority or county program, the CFAC and the governing board shall execute an agreement that identifies the roles and responsibilities of each party, channels of communication between the parties, and a process for resolving disputes between the parties.

(b) Each of the disability groups shall be equally represented on the CFAC, and the CFAC shall reflect as closely as possible the racial and ethnic composition of the catchment area. The terms of members shall be three years, and no member may serve more than two consecutive terms. The CFAC shall be composed exclusively of:

(1) Adult consumers of mental health, developmental disabilities, and substance abuse services;

(2) Parents of minor children who are consumers of mental health, developmental disabilities, and substance abuse services; and

(3) Parents of adult children who are severely developmentally disabled.

(c) The CFAC shall undertake all of the following:

(1) Review, comment on, and monitor the implementation of the local business plan.

(2) Identify service gaps and underserved populations.

(3) Make recommendations regarding the service array and monitor the development of additional services.

(4) Review and comment on the area authority or county program budget.

(5) Participate in all quality improvement measures and performance indicators.

(6) Submit to the State Consumer and Advisory Committee findings and recommendations regarding ways to improve the delivery of mental health, developmental disabilities, and substance abuse services.

(d) The director of the area authority or county program shall provide sufficient staff to assist the CFAC in implementing its duties under subsection (c) of this section. The assistance shall include data for the identification of service gaps and underserved populations, training to review and comment on business plans and budgets, procedures

to allow participation in quality monitoring, and technical advice on rules of procedure and applicable laws.

"**§ 122C-171. State Consumer and Family Advisory Committee.**

(a) There is established the State Consumer and Advisory Committee (State CAFC). The State CFAC shall be shall be a self-governing and self-directed organization that advises the Department and the General Assembly on the planning and management of the State's public mental health, developmental disabilities, and substance abuse services system.

(b) The State CFAC shall be composed of 21 members. The members shall be composed exclusively of adult consumers of mental health, developmental disabilities, and substance abuse services; parents of minor children who are consumers of mental health, developmental disabilities, and substance abuse services; and parents of adult children who are severely developmentally disabled. The terms of members shall be three years, and no member may serve more than two consecutive terms. Vacancies shall be filled by the appointing authority. The members shall be appointed as follows:

(1) Nine by the Secretary. The Secretary's appointments shall reflect each of the disability groups. The terms shall be staggered so that terms of three of the appointees expire each year.

(2) Three by the General Assembly upon the recommendations of the President Pro Tempore of the Senate, one each of whom shall come from the three State regions for institutional services (Eastern Region, Central Region, and Western Region). The terms of the appointees shall be staggered so that the term of one appointee expires every year.

(3) Three by the General Assembly upon the recommendations of the Speaker of the House of Representatives, one each of whom shall come from the three State regions for institutional services (Eastern Region, Central Region, and Western Region). The terms of the appointees shall be staggered so that the term of one appointee expires every year.

(4) Three by the Council of Community Programs, one each of whom shall come from the three State regions for institutional services (Eastern Region, Central Region, and Western Region). The terms of the appointees shall be staggered so that the term of one appointee expires every year.

(5) Three by the North Carolina Association of County Commissioners, one each of whom shall come from the three State regions for institutional services (Eastern Region, Central Region, and Western Region). The terms of the appointees shall be staggered so that the term of one appointee expires every year.

(c) The State CFAC shall undertake all of the following:

(1) Review, comment on, and monitor the implementation of the State Plan for Mental Health, Developmental Disabilities, and Substance Abuse Services.

(2) Identify service gaps and underserved populations.

(3) Make recommendations regarding the service array and monitor the development of additional services.

(4) Review and comment on the State budget for mental health, developmental disabilities, and substance abuse services.

(5) Participate in all quality improvement measures and performance indicators.

(6) Receive the findings and recommendations by local CFACs regarding ways to improve the delivery of mental health, developmental disabilities, and substance abuse services.

(7) Provide technical assistance to local CFACs in implementing their duties.

(d) The Secretary shall provide sufficient staff to assist the State CFAC in implementing its duties under subsection (c) of this section. The assistance shall include data for the identification of service gaps and underserved populations, training to review and comment on the State Plan and departmental budget, procedures to allow participation in quality monitoring, and technical advice on rules of procedure and applicable laws.

(e) State CFAC members shall receive the per diem and allowances prescribed by G.S. 138-5 for State boards and commissions."

Senate Only

STRENGTHEN MH/DD/SA PRIVATE PROVIDERS

SECTION 10.33E. G.S. 122C-142(a) reads as rewritten:

"**§ 122C-142. Contract for services.**

(a) When the area authority contracts with persons for the provision of services, ~~the area authority~~ it shall use the standard contract adopted by the Secretary and shall assure that these contracted services meet the requirements of applicable State statutes and the rules of the Commission and the Secretary. However, an area authority or county program may amend the contract to comply with any court-imposed duty or responsibility. Terms of the standard contract shall require the area authority to monitor the contract to assure that rules and State statutes are met. It shall also place an obligation upon the entity providing services to provide to the area authority timely data regarding the clients being served, the services provided, and the client outcomes. The Secretary ~~may~~ shall also monitor contracted services to assure that rules and State statutes are met."

Senate Only

STRENGTHEN ROLE OF JOINT LEGISLATIVE COMMISSION ON MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE SERVICES

SECTION 10.33F.(a) Article 27 of Chapter 120 is amended by adding a new section to read:

"**§ 120-244. Committee authority.**

The Committee may obtain information and data from all State officers, agents, agencies, and departments, while in discharge of its duties, under G.S. 120-19, as if it were a committee of the General Assembly. The provisions of G.S. 120-19.1 through G.S. 120-19.4 shall apply to the proceedings of the Committee as if it were a committee of the General Assembly. Any cost of providing information to the Committee not covered by G.S. 120-19.3 may be reimbursed by the Committee from funds appropriated to it for its continuing study."

SECTION 10.33F.(b) Article 23 of Chapter 120 of the General Statutes is repealed.

SECTION 10.33F.(c) The Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services (LOC) shall study the following issues and report its findings and recommendations to the 2007 Regular Session of the 2007 General Assembly:

(1) Mechanisms to allow area authorities and county programs to purchase bed days from the State psychiatric hospitals. The LOC shall consider options for holding area authorities and county programs accountable for their use of State psychiatric institutions, provide incentives to increase community capacity, and options for ensuring the State institutions have a sufficient funding stream to ensure quality care to patients and a stable and well-qualified workforce.

(2) Whether implementation of a Medicaid 1915(b) waiver on a statewide or expanded local basis would strengthen the ability of area authorities and county programs to manage the mental health, developmental disabilities, and substance abuse system. As part of the study, the LOC shall examine the impact of the waiver on Piedmont Behavioral Health's ability to implement its management functions including utilization management for Medicaid services, consumer satisfaction, provider monitoring, use of best practices, and any other matters the LOC determines are relevant. If the LOC determines that a Medicaid 1915(b) waiver would improve the management capacity of area authorities and county programs, it shall also examine whether it would be more appropriate to seek a statewide waiver or whether it would be both possible and advisable for additional area authorities and county programs to seek individual waivers.

(3) Whether G.S. 122C-147.1 should be amended to modify or repeal the provisions that place funds appropriated by the General Assembly into broad age and disability categories."

House Only

ACCESS TO PSYCHIATRIC SERVICES

SECTION 10.33G. Funds appropriated in this act to increase access to psychiatric services for the 2006-2007 fiscal year may be used for the following purposes:

(1) To cover non-fee-for-service billable functions that psychiatrists perform, including incentives to increase the participation of psychiatrists in new best-practice models of service such as Community Treatment Teams;

(2) Designing graduate medical education incentives to influence the training of psychiatrists to produce more psychiatrists interested in working with public sector communities;

(3) Designing programs for loan forgiveness and recruitment incentives for new psychiatrists serving Medicaid and other State-funded consumers.

House Only

PSYCHIATRIC HOSPITAL DEBT SERVICE

SECTION 10.33H.(a) G.S. 143-15.3D(c) reads as rewritten:

"(c) Notwithstanding G.S. 143-18, any nonrecurring savings in State appropriations realized from the closure of any State psychiatric hospitals that are in excess of the cost of operating and maintaining a new State psychiatric hospital shall not revert to the General Fund but shall be placed in the Trust Fund and shall be used for the purposes authorized in this section. Notwithstanding G.S. 143-18, recurring savings realized from the closure of any State psychiatric hospitals shall not revert to the General Fund but shall be ~~used for the payment of debt service on financing contract indebtedness authorized pursuant to Article 9 of Chapter 142 of the General Statutes for the construction of a new State psychiatric hospital. Any remainder not needed for this debt service shall be~~ credited to the Department of Health and Human Services to be used only for the purposes of subsections (b)(2) and (b)(3) of this section."

SECTION 10.33H.(b) This section becomes effective July 1, 2007. Debt service authorized pursuant to Article 9 of Chapter 142 of the General Statutes for the construction of a new State psychiatric hospital shall be paid with funds from the General Fund. Any funds budgeted for debt service on the new psychiatric hospital before July 1, 2007, shall be redirected for purposes authorized under G.S. 143-15.3D(b)(2) and (b)(3).

House Only

USE OF FUNDS IN MENTAL HEALTH TRUST FUND

SECTION 10.33I. Of the funds appropriated in this act for mental health, developmental disabilities, and substance abuse services, the sum of twenty-four million two hundred five thousand dollars ($24,205,000) in nonrecurring funds for the fiscal year 2006-2007 shall be deposited to the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs. Of these funds, the sum of nine million two hundred five thousand dollars ($9,205,000) for the 2006-2007 fiscal year shall be used as follows:

(1) $1,500,000 for mental health services to be distributed to local management entities.

(2) $1,500,000 for substance abuse services to be distributed to local management entities.

(3) $3,000,000 for mental health, developmental disabilities, and substance abuse crisis services.

(4) $2,000,000 to increase access to psychiatric services.

(5) $1,205,000 to provide one-time operating support for independent-living apartments. It is the intent of the General Assembly to provide funds in future years for operating support for the 400 independent-living and supportive-living apartments as they are constructed and ready for occupation.

House Only

SUBSTANCE ABUSE SERVICES FUNDS FOR TASC

SECTION 10.33J. 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, for substance abuse services, the sum of up to three hundred thousand dollars ($300,000) shall be allocated to Treatment Accountability for Safer Communities (TASC).

House Only

REGIONAL ADVISORY COMMITTEE FUNDS

SECTION 10.33K. Of the funds appropriated in this act to the Department of Health and Human Services, Office of the Secretary, for the utility and fuel cost reserve, the sum of two hundred thousand dollars ($200,000) shall be reallocated to the Division of Facility Services to provide funding for the State's eight Regional Advisory Committees.

Senate Only

CHILD CARE SUBSIDY RATES

SECTION 10.35. Section 10.62(e) of S.L. 2005-276 reads as rewritten:

"**SECTION 10.62.(e)** A market rate shall be calculated for child care centers and homes at each rated license level for each county and for each age group or age category of enrollees and shall be representative of fees charged to ~~unsubsidized privately paying~~ parents for each age group of enrollees within the county. The Division of Child Development shall also calculate a statewide rate and regional market rates for each rated license level for each age category."

House Only

CHILD CARE FUNDS MATCHING REQUIREMENT

SECTION 10.36. Section 10.60 of S.L. 2005-276 reads as rewritten:

"**SECTION 10.60.** No local matching funds may be required by the Department of Health and Human Services as a condition of any locality's receiving ~~any State~~its initial allocation of child care funds appropriated by this act unless federal law requires a match. ~~This shall not prohibit any locality from spending local funds for child care services.~~If the Department reallocates additional funds above twenty-five thousand dollars ($25,000) to local purchasing agencies beyond their initial allocation, local purchasing agencies must provide a twenty-five percent (25%) local match to receive the reallocated funds. Matching requirements shall not apply when funds are allocated because of a disaster as defined in G.S. 166A-4(1)."

House Only

REQUIRE MINIMUM OF SMART START FUNDS FOR CHILD CARE SUBSIDY

SECTION 10.37. Notwithstanding G.S. 143B-168.15(g), of the ten million dollars ($10,000,000) appropriated in this act to the North Carolina Partnership for Children, Inc., for the 2006-2007 fiscal year for local partnership initiatives, a minimum of thirty percent (30%) of the allocation to each local partnership shall be used for child care subsidy. This percentage shall be in addition to the direct services allocation for the 2006-2007 fiscal year.

Attachment IV

SENATE AND HOUSE BUDGET ITEMS IN CONTROVERSY

DHHS Block Grants

June 19, 2006

Prepared by Legislative Drafting Division

Senate and House Differ

Senate Version

DHHS BLOCK GRANTS

SECTION 5.1.(a) Appropriations from federal block grant funds are made for the fiscal year ending June 30, 2007, according to the following schedule:

TEMPORARY ASSISTANCE TO NEEDY FAMILIES
(TANF) BLOCK GRANT

Local Program Expenditures

Division of Social Services

01.	Work First Family Assistance (Cash Assistance)	$114,625,680	$ Diff
02.	Work First County Block Grants	94,653,315	
03.	County Demonstration Grants	19,598,322	S Only
04.	Child Protective Services – Child Welfare Workers for Local DSS	12,452,391	
05.	Work First – Boys and Girls Clubs	1,500,000	
06.	Work First – After-School Services for At-Risk Children	2,249,642	
07.	Work First – After-School Programs for At-Risk Youth in Middle Schools	500,000	
08.	Adoption Services – Special Children's Adoption Fund	3,000,000	
09.	Family Violence Prevention	2,200,000	
10.	Foster Care	2,000,000	

Division of Child Development

11.	Subsidized Child Care Program	36,563,266	$ Diff

DHHS Administration

12.	Division of Social Services	586,931
13.	Office of the Secretary	65,836
14.	Office of the Secretary/DIRM – TANF Automation Projects	592,500
15.	Office of the Secretary/DIRM – NC FAST Implementation	1,800,000

Transfers to Other Block Grants

Division of Child Development

16.	Transfer to the Child Care and Development Fund	81,292,880

Division of Social Services

17.	Transfer to Social Services Block Grant for Department of Juvenile Justice and Delinquency Prevention – Support Our Students	2,749,642
18.	Transfer to Social Services Block Grant for Child Protective Services – Child Welfare Training in Counties	2,550,000
19.	Transfer to Social Services Block Grant for Maternity Homes	838,000
20.	Transfer to Social Services Block Grant for Teen Pregnancy Prevention Initiatives	2,500,000
21.	Transfer to Social Services Block Grant for County Departments of Social Services for Children's Services	4,500,000
22.	Transfer to Social Services Block Grant for Foster Care Services	1,181,907

TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) BLOCK GRANT	$388,000,312

SOCIAL SERVICES BLOCK GRANT

Local Program Expenditures

Divisions of Social Services and Aging & Adult

01.	County Departments of Social Services (Transfer from TANF – $4,500,000)	$ 28,868,189
02.	State In-Home Services Fund	2,101,113
03.	State Adult Day Care Fund	2,155,301
04.	Child Protective Services/CPS Investigative Services-Child Medical Evaluation Program	238,321
05.	Foster Care Services (Transfer from TANF – $1,181,907)	1,706,063
06.	Child Protective Services-Child Welfare Training for Counties (Transfer from TANF)	2,550,000
07.	Maternity Homes (Transfer from TANF)	838,000
08.	Local DSS Services for Hurricane Victims	509,272

Division of Aging and Adult Services

09.	Home and Community Care Block Grant (HCCBG)	1,834,077

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

10.	Mental Health Services Program	422,003
11.	Developmental Disabilities Services Program	5,000,000
12.	Mental Health Services-Adult/Mental Health Services-Child/Developmental Disabilities Program/ Substance Abuse Services-Adult	3,234,601

Division of Child Development

13.	Subsidized Child Care Program	3,150,000
	Division of Vocational Rehabilitation	
14.	Vocational Rehabilitation Services – Easter Seal Society/UCP	188,263
	Office of the Secretary – Office of Economic Opportunity	
15.	Elderly Supplemental Grant Program	41,302
	Division of Public Health	
16.	Teen Pregnancy Prevention Initiatives (Transfer from TANF)	2,500,000
	DHHS Program Expenditures	
	Division of Aging and Adult Services	
17.	UNC-CARES Training Contract	247,920
	Division of Services for the Blind	
18.	Independent Living Program	3,314,114
	Division of Facility Services	
19.	Adult Care Licensure Program	411,897
20.	Mental Health Licensure and Certification Program	205,668
	DHHS Administration	
21.	Division of Aging and Adult Services	630,636
22.	Division of Social Services	869,058
23.	Office of the Secretary/Controller's Office	123,059
24.	Office of the Secretary/DIRM	82,009
25.	Division of Child Development	15,000

26.	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	18,098
27.	Division of Facility Services	62,986
28.	Office of the Secretary-NC Inter-Agency Council For Coordinating Homeless Programs	250,000
29.	Office of the Secretary-Housing Coalition	100,000

Transfers to Other State Agencies

Department of Administration

30.	NC Commission of Indian Affairs In-Home Services for the Elderly	203,198

Department of Juvenile Justice and Delinquency Prevention

31.	Support Our Students (Transfer from TANF)	2,749,642

Transfers to Other Block Grants

Division of Public Health

32.	Transfer to Preventive Health Services Block Grant for HIV/STD Prevention and Community Planning	145,819

TOTAL SOCIAL SERVICES BLOCK GRANT	$ 64,765,609

LOW-INCOME ENERGY BLOCK GRANT

Local Program Expenditures

Division of Social Services

01.	Low Income Energy Assistance Program (LIHEAP)	$ 28,684,494
02.	Crisis Intervention Program (CIP)	20,831,114

Office of the Secretary – Office of Economic Opportunity

03.	Weatherization Program	9,431,545

04.	Heating Air Repair & Replacement Program (HARRP)	4,399,042
Local Administration		
Division of Social Services		
05.	County DSS Administration	2,057,992
Office of the Secretary – Office of Economic Opportunity		
06.	Local Residential Energy Efficiency Service Providers – Weatherization	257,185
07.	Local Residential Energy Efficiency Service Providers – HARRP	119,955
DHHS Administration		
08.	Division of Social Services	319,774
09.	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	7,146
10.	Office of the Secretary/DIRM	245,395
11.	Office of the Secretary/Controller's Office	11,211
12.	Office of the Secretary/Office of Economic Opportunity – Weatherization	257,185
13.	Office of the Secretary/Office of Economic Opportunity – HARRP	119,955
Transfers to Other State Agencies		
14.	Department of Administration – N.C. State Commission of Indian Affairs	58,455
TOTAL LOW-INCOME ENERGY BLOCK GRANT		$ 66,800,448
CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT		
Local Program Expenditures		

Division of Child Development		
01.	Subsidized Child Care Services	$165,102,685
02.	Subsidized Child Care Services (TANF to CCDF)	81,292,880
DHHS Program Expenditures		
Division of Child Development		
03.	Quality and Availability Initiatives	34,951,707
Local Administrations		
Division of Child Development		
04.	Administrative Expenses (Non-Direct Subsidy Services Support)	1,849,000
DHHS Administration		
05.	DCD Administrative Expenses	6,028,354
TOTAL CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT		$289,224,626
MENTAL HEALTH SERVICES BLOCK GRANT		
Local Program Expenditures		
01.	Mental Health Services – Adult	$ 7,184,481
02.	Mental Health Services – Child	3,921,991
03.	Comprehensive Treatment Service Program	1,500,000
Local Administration		
04.	Division of Mental Health	100,000
TOTAL MENTAL HEALTH SERVICES BLOCK GRANT		$ 12,706,472

SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT		
Local Program Expenditures		
01.	Substance Abuse Services – Adult	$ 20,537,390
02.	Substance Abuse Treatment Alternative for Women	8,069,524
03.	Substance Abuse – HIV and IV Drug	4,816,378
04.	Substance Abuse Prevention – Child	5,835,701
05.	Substance Abuse Services – Child	4,940,500
06.	Substance Abuse Strengthening Families – Prevention	851,156
Division of Public Health		
07.	Risk Reduction Projects	383,980
08.	Aid-to-Counties	209,576
09.	Maternal Health	37,779
DHHS Administration		
10.	Division of Mental Health	500,000
TOTAL SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT		$ 46,181,984
MATERNAL AND CHILD HEALTH BLOCK GRANT		
Local Program Expenditures		
Division of Public Health		
01.	Healthy Mothers/Healthy Children	9,359,236
02.	Children's Health Services	4,114,216

03.	Healthy Beginnings	404,559
04.	Maternal Health	397,761
05.	Teen Pregnancy Prevention Initiatives	85,710

DHHS Program Expenditures

Division of Public Health

06.	Children's Health Services	3,149,826
07.	Maternal Health	185,488
08.	State Center for Health Statistics	29,432
09.	Local Technical Assistance & Training	47,424
10.	Injury and Violence Prevention	149,438
11.	Office of Minority Health	98,236
12.	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	22,856
13.	Immunization Program – Vaccine Distribution	414,175

DHHS Administration

14.	Division of Public Health Administration	550,681

TOTAL MATERNAL AND CHILD HEALTH BLOCK GRANT $ 19,009,038

PREVENTIVE HEALTH SERVICES BLOCK GRANT

Local Program Expenditures

01.	NC Statewide Health Promotion	$1,755,653
02.	Services to Rape Victims	197,112
03.	HIV/STD Prevention and Community Planning	

	(Transfer from Social Services Block Grant)	145,819
DHHS Program Expenditures		
04.	NC Statewide Health Promotion	431,444
05.	Oral Health	114,251
06.	Osteoporosis Program	67,593
DHHS Administration		
07.	Division of Public Health	109,211
TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT		$2,821,083
COMMUNITY SERVICES BLOCK GRANT		
Local Program Expenditures		
Office of Economic Opportunity – Community Services Block Grant		
01.	Community Action Agencies	$ 15,071,666
02.	Limited Purpose Agencies	823,261
DHHS Administration		
03.	Office of Economic Opportunity	823,261
TOTAL COMMUNITY SERVICES BLOCK GRANT		$ 16,718,188

GENERAL PROVISIONS

SECTION 5.1.(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 5.1.(c) Changes in Federal Fund Availability. – If the Congress of the United States increases the federal fund availability for any of the 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 Department shall not propose funding for new programs or activities not appropriated in this section or increase State administrative expenditures.

If the Congress of the United States decreases the federal fund availability for any of the Block Grants administered by the Department of Health and Human Services from the amounts appropriated in this section, the Department shall reduce State administration by at least the percentage of the reduction in federal funds. After determining the State administration, the remaining reductions shall be allocated proportionately across the program and activity appropriations identified for that Block Grant in this section. In allocating a decrease in federal fund availability, the Department shall not eliminate the funding for a program or activity appropriated in this section unless it is related to the State administration.

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 5.1.(d) All changes to the budgeted allocations to the 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 a report shall be submitted to the Joint Legislative Commission on Governmental Operations for review prior to implementing the changes. All changes to the budgeted allocations to the Block Grant 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 5.1.(e) The Department of Health and Human Services 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 on positions funded from federal Block Grants. The report shall include the following for each Block Grant:

(1) All State positions currently funded through the Block Grant, including permanent, temporary, and time-limited positions.

(2) Budgeted salary and fringe benefits for each position.

(3) Identify the percentage of Block Grant funds used to fund each position.

The report shall be submitted no later than December 1, 2006.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES BLOCK GRANT (TANF)

SECTION 5.1.(f) The sum of five hundred eighty-six thousand nine hundred thirty-one dollars ($586,931) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2006-2007 fiscal year shall be used to support administration of TANF-funded programs. Tech

SECTION 5.1.(g) The sum of two million dollars ($2,000,000) appropriated $ Diff under this section in the TANF Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2006-2007 fiscal year shall be used to provide domestic violence services to Work First recipients. These funds shall be used to provide domestic violence counseling, support, and other direct services to clients. These funds shall not be used to establish new domestic violence shelters or to facilitate lobbying efforts. The Division of Social Services may use up to seventy-five thousand dollars ($75,000) in TANF funds to support one administrative position within the Division of Social Services to implement this subsection.

Each county department of social services and the local domestic violence shelter program serving the county shall jointly develop a plan for utilizing these funds. The plan shall include the services to be provided and the manner in which the services shall be delivered. The county plan shall be signed by the county social services director or the director's designee and the domestic violence program director or the director's designee and submitted to the Division of Social Services by December 1, 2006. The Division of Social Services, in consultation with the Council for Women, shall review the county plans and shall provide consultation and technical assistance to the departments of social services and local domestic violence shelter programs, if needed.

The Division of Social Services shall allocate these funds to county departments of social services according to the following formula: (i) each county shall receive a base allocation of five thousand dollars ($5,000); and (ii) each county shall receive an allocation of the remaining funds based on the county's proportion of the statewide total of the Work First caseload as of July 1, 2006, and the county's proportion of the statewide total of the individuals receiving domestic violence services from programs funded by the Council for Women as of July 1, 2006. The Division of Social Services may reallocate unspent funds to counties that submit a written request for additional funds.

SECTION 5.1.(h) The sum of two million two hundred forty-nine thousand six hundred forty-two dollars ($2,249,642) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2006-2007 fiscal year shall be used to expand after-school programs and services for at-risk children. The Department shall develop and implement a grant program to award grants to community-based programs that demonstrate the ability to reach children at risk of teen pregnancy, school dropout, and gang participation. The Department shall award grants to community-based organizations that demonstrate the ability to develop and implement linkages with local departments of social services, area mental health programs, schools, and other human services programs in order to provide support services and assistance to the child and family. These funds may be used to fund one position within the Division of Social Services to coordinate at-risk after-school programs and shall not be used for other State administration.

SECTION 5.1.(i) The sum of twelve million four hundred fifty-two thousand three hundred ninety-one dollars ($12,452,391) appropriated in this section to the Department of Health and Human Services, Division of Social Services, in the TANF Block Grant for the 2006-2007 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 postadoption services for eligible families.

SECTION 5.1.(j) The sum of three million dollars ($3,000,000) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services, Special Children Adoption Fund, for the 2006-2007 fiscal year shall be used in accordance with Section 10.48 of this act. 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 5.1.(k) The sum of one million eight hundred thousand dollars ($1,800,000) in this section appropriated to the Department of Health and Human Services in the TANF Block Grant for the 2006-2007 fiscal year shall be used to implement N.C. FAST (North Carolina Families Accessing Services through Technology). The N.C. FAST Program involves the entire automation initiative through which families access services and local departments of social services deliver benefits, supervised by the Department of Health and Human Services, Divisions of Social Services, Aging and Adult Services, Medical Assistance, and Child Development. The statewide automated initiative shall be implemented in compliance with federal regulations in order to ensure federal financial participation in the project. The Department of Health and Human Services shall report on its compliance with this

subsection 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 no later than January 1, 2007.

SECTION 5.1.(l) The sum of five hundred thousand dollars ($500,000) appropriated in this section to the Department of Health and Human Services, Division of Social Services, in the TANF Block Grant for the 2006-2007 fiscal year shall be used to expand after-school programs for at-risk children attending middle school. The Department shall develop and implement a grant program to award funds to community-based programs demonstrating the capacity to reach children at risk of teen pregnancy, school dropout, and gang participation. These funds shall not be used for training or administration at the State level. All funds shall be distributed to community-based programs, focusing on those communities where similar programs do not exist in middle schools.

SECTION 5.1.(m) In implementing the TANF Block Grant, the Department of Health and Human Services shall review policies, programs, and initiatives to ensure that they support men in their role as fathers and strengthen fathers' involvement in their children's lives. The Department shall encourage county departments of social services to ensure their Work First programs emphasize responsible fatherhood and increased participation by noncustodial fathers.

SECTION 5.1.(n) The sum of nineteen million five hundred ninety-eight thousand three hundred twenty-two dollars ($19,598,322) appropriated in this section to the Department of Health and Human Services, Division of Social Services, in the TANF Block Grant for the 2006-2007 fiscal year for county demonstration grants shall be used for Work First demonstration projects implemented by county departments of social services. The county demonstration grants may be awarded for up to three years with all projects ending no later than the end of fiscal year 2008-2009. The purpose of the county demonstration grants is to identify best practices that can be used by counties to improve the work participation rates for TANF recipients. The Division of Social Services is authorized to establish two time-limited positions to manage the grant award process and monitor the demonstration projects through fiscal year 2008-2009.

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Funding provided under the county demonstration grants shall not be used to supplant local funds and counties shall be required to maintain the current level of effort and funding for the Work First program.

SOCIAL SERVICES BLOCK GRANT

SECTION 5.1.(o) Social Services Block Grant funds appropriated to the North Carolina Inter-Agency Council for Coordinating Homeless Programs and the North Carolina Housing Coalition are exempt from the provisions of 10A NCAC 71R.0201(3).

SECTION 5.1.(p) The sum of two million seven hundred forty-nine thousand six hundred forty-two dollars ($2,749,642) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services and transferred to the Department of Juvenile Justice and Delinquency Prevention for the 2006-2007 fiscal year shall be used to support the existing Support Our Students

Program, including gang prevention, and to expand the Program statewide, focusing on low-income communities in unserved areas. These funds shall not be used for administration of the Program.

SECTION 5.1.(q) The sum of two million five hundred fifty thousand dollars ($2,550,000) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2006-2007 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) Support the Masters Degree in Social Work/Baccalaureate Degree in Social Work Collaborative.
(3) Provide training for residential child care facilities.
(4) Provide for various other child welfare training initiatives.

SECTION 5.1.(r) The sum of eight hundred thirty-eight thousand dollars ($838,000) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services for the 2006-2007 fiscal year shall be used to purchase services at maternity homes throughout the State.

SECTION 5.1.(s) The sum of one million seven hundred six thousand sixty-three dollars ($1,706,063) appropriated in this section in the Social Services Block Grant for child caring agencies for the 2006-2007 fiscal year shall be allocated to the State Private Child Caring Agencies Fund.

SECTION 5.1.(t) The sum of one million five hundred thousand dollars ($1,500,000) appropriated in this section to the Department of Health and Human Services in the Social Services Block Grant for Boys and Girls Clubs for the 2006-2007 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 encourage and facilitate collaboration between the Boys and Girls Clubs and Support Our Students, Communities in Schools, and similar programs to submit joint applications for the funds if appropriate. Tech S Only

SECTION 5.1.(u) 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.

LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM

SECTION 5.1.(v) 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.

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT

SECTION 5.1.(w) The sum of no more than four hundred thousand dollars ($400,000) appropriated in this section to the Department of Health and Human Services in the Child Care and Development Fund Block Grant for the 2006-2007 fiscal year may be used for the operations of the Medical Child Care Pilot.

SECTION 5.1.(x) 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 5.1.(y) 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.

MENTAL HEALTH BLOCK GRANT

SECTION 5.1.(z) The sum of one million five hundred thousand dollars ($1,500,000) appropriated in this section in the Mental Health Block Grant to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the 2006-2007 fiscal year, and the sum of four hundred twenty-two thousand three dollars ($422,003) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2006-2007 fiscal year shall be used to continue a Comprehensive Treatment Services Program for Children in accordance with Section 10.25 of S.L. 2005-276.

SECTION 5.1.(aa) The Department of Health and Human Services shall contract with the University of North Carolina at Chapel Hill for the purpose of providing psychology student stipends in the amount of fifty thousand dollars ($50,000) for the 2006-2007 fiscal year. Twenty-five thousand dollars ($25,000) of this contract shall be paid from the Mental Health Block Grant.

MATERNAL AND CHILD HEALTH BLOCK GRANT

SECTION 5.1.(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 2006-2007 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). The

Department of Public Instruction shall carefully and strictly follow federal guidelines in implementing and administering the abstinence education grant funds.

SECTION 5.1.(cc) The Department of Health and Human Services shall ensure that there will be follow-up testing in the Newborn Screening Program.

House Version

DHHS BLOCK GRANTS

SECTION 5.1.(a) Appropriations from federal block grant funds are made for the fiscal year ending June 30, 2007, according to the following schedule:

TEMPORARY ASSISTANCE TO NEEDY FAMILIES
(TANF) BLOCK GRANT

Local Program Expenditures

Division of Social Services

01.	Work First Family Assistance (Cash Assistance)	$108,000,000	$ Diff
02.	Work First County Block Grants	94,653,315	
03.	Child Protective Services – Child Welfare Workers for Local DSS	12,452,391	
04.	Work First – Boys and Girls Clubs	1,500,000	
05.	Work First – After-School Services for At-Risk Children	2,249,642	
06.	Work First – After-School Programs for At-Risk Youth in Middle Schools	500,000	
07.	Child Welfare Collaborative	1,000,000	H Only
08.	Work First – Work Central	550,000	H Only
09.	Adoption Services – Special Children's Adoption Fund	3,000,000	
10.	Family Violence Prevention	2,200,000	
11.	Foster Care	2,000,000	
12.	Child and Family Mental Health Services	4,000,000	H Only

13.	Emergency Housing Assistance	4,000,000	H On
	Division of Child Development		
14.	Subsidized Child Care Program	53,237,268	$ Diff
	DHHS Administration		
15.	Division of Social Services	586,931	
16.	Office of the Secretary	65,836	
17.	Office of the Secretary/DIRM – TANF Automation Projects	592,500	
18.	Office of the Secretary/DIRM – NC FAST Implementation	1,800,000	
	Transfers to Other Block Grants		
	Division of Child Development		
19.	Transfer to the Child Care and Development Fund	81,292,880	
	Division of Social Services		
20.	Transfer to Social Services Block Grant for Department of Juvenile Justice and Delinquency Prevention – Support Our Students	2,749,642	
21.	Transfer to Social Services Block Grant for Child Protective Services – Child Welfare Training in Counties	2,550,000	
22.	Transfer to Social Services Block Grant for Maternity Homes	838,000	
23.	Transfer to Social Services Block Grant for Teen Pregnancy Prevention Initiatives	2,500,000	
24.	Transfer to Social Services Block Grant for County Departments of Social Services for Children's Services	4,500,000	

25.	Transfer to Social Services Block Grant for Foster Care Services	1,181,907
TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) BLOCK GRANT		$388,000,312
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 – $4,500,000)	$ 28,868,189
02.	State In-Home Services Fund	2,101,113
03.	State Adult Day Care Fund	2,155,301
04.	Child Protective Services/CPS Investigative Services-Child Medical Evaluation Program	238,321
05.	Foster Care Services (Transfer from TANF – $1,181,907)	1,706,063
06.	Child Protective Services-Child Welfare Training for Counties (Transfer from TANF)	2,550,000
07.	Maternity Homes (Transfer from TANF)	838,000
08.	Local DSS Services for Hurricane Victims	509,272
Division of Aging and Adult Services		
09.	Home and Community Care Block Grant (HCCBG)	1,834,077
Division of Mental Health, Developmental Disabilities, and Substance Abuse Services		
10.	Mental Health Services Program	422,003

11.	Developmental Disabilities Services Program	5,000,000
12.	Mental Health Services-Adult/Mental Health Services-Child/Developmental Disabilities Program/ Substance Abuse Services-Adult	3,234,601

Division of Child Development

13.	Subsidized Child Care Program	3,150,000

Division of Vocational Rehabilitation

14.	Vocational Rehabilitation Services – Easter Seal Society/UCP	188,263

Office of the Secretary – Office of Economic Opportunity

15.	Elderly Supplemental Grant Program	41,302

Division of Public Health

16.	Teen Pregnancy Prevention Initiatives (Transfer from TANF)	2,500,000

DHHS Program Expenditures

Division of Aging and Adult Services

17.	UNC-CARES Training Contract	247,920

Division of Services for the Blind

18.	Independent Living Program	3,314,114

Division of Facility Services

19.	Adult Care Licensure Program	411,897
20.	Mental Health Licensure and Certification Program	205,668

DHHS Administration

21.	Division of Aging and Adult Services	630,636

22.	Division of Social Services	869,058
23.	Office of the Secretary/Controller's Office	123,059
24.	Office of the Secretary/DIRM	82,009
25.	Division of Child Development	15,000
26.	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	18,098
27.	Division of Facility Services	62,986
28.	Office of the Secretary-NC Inter-Agency Council For Coordinating Homeless Programs	250,000
29.	Office of the Secretary-Housing Coalition	100,000

Transfers to Other State Agencies

Department of Administration

30.	NC Commission of Indian Affairs In-Home Services for the Elderly	203,198

Department of Juvenile Justice and Delinquency Prevention

31.	Support Our Students (Transfer from TANF)	2,749,642

Transfers to Other Block Grants

Division of Public Health

32.	Transfer to Preventive Health Services Block Grant for HIV/STD Prevention and Community Planning	145,819

TOTAL SOCIAL SERVICES BLOCK GRANT $ 64,765,609

LOW-INCOME ENERGY BLOCK GRANT

Local Program Expenditures

Division of Social Services

01.	Low Income Energy Assistance Program (LIHEAP)	$ 28,684,494
02.	Crisis Intervention Program (CIP)	20,831,114
	Office of the Secretary – Office of Economic Opportunity	
03.	Weatherization Program	9,431,545
04.	Heating Air Repair & Replacement Program (HARRP)	4,399,042
	Local Administration	
	Division of Social Services	
05.	County DSS Administration	2,057,992
	Office of the Secretary – Office of Economic Opportunity	
06.	Local Residential Energy Efficiency Service Providers – Weatherization	257,185
07.	Local Residential Energy Efficiency Service Providers – HARRP	119,955
	DHHS Administration	
08.	Division of Social Services	319,774
09.	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	7,146
10.	Office of the Secretary/DIRM	245,395
11.	Office of the Secretary/Controller's Office	11,211
12.	Office of the Secretary/Office of Economic Opportunity – Weatherization	257,185
13.	Office of the Secretary/Office of Economic Opportunity – HARRP	119,955
	Transfers to Other State Agencies	

14.	Department of Administration – N.C. State Commission of Indian Affairs	58,455
TOTAL LOW-INCOME ENERGY BLOCK GRANT		$ 66,800,448
CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT		
Local Program Expenditures		
Division of Child Development		
01.	Subsidized Child Care Services	$165,102,685
02.	Subsidized Child Care Services (TANF to CCDF)	81,292,880
DHHS Program Expenditures		
Division of Child Development		
03.	Quality and Availability Initiatives	34,951,707
Local Administrations		
Division of Child Development		
04.	Administrative Expenses (Non-Direct Subsidy Services Support)	1,849,000
DHHS Administration		
05.	DCD Administrative Expenses	6,028,354
TOTAL CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT		$289,224,626
MENTAL HEALTH SERVICES BLOCK GRANT		
Local Program Expenditures		
01.	Mental Health Services – Adult	$ 7,184,481
02.	Mental Health Services – Child	3,921,991

03. Comprehensive Treatment Service Program	1,500,000
Local Administration	
04. Division of Mental Health	100,000
TOTAL MENTAL HEALTH SERVICES BLOCK GRANT	$ 12,706,472
SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT	
Local Program Expenditures	
01. Substance Abuse Services – Adult	$ 20,537,390
02. Substance Abuse Treatment Alternative for Women	8,069,524
03. Substance Abuse – HIV and IV Drug	4,816,378
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05. Substance Abuse Services – Child	4,940,500
06. Substance Abuse Strengthening Families – Prevention	851,156
Division of Public Health	
07. Risk Reduction Projects	383,980
08. Aid-to-Counties	209,576
09. Maternal Health	37,779
DHHS Administration	
10. Division of Mental Health	500,000
TOTAL SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT	$ 46,181,984
MATERNAL AND CHILD HEALTH BLOCK GRANT	

Local Program Expenditures		
Division of Public Health		
01.	Healthy Mothers/Healthy Children	9,359,236
02.	Children's Health Services	4,114,216
03.	Healthy Beginnings	404,559
04.	Maternal Health	397,761
05.	Teen Pregnancy Prevention Initiatives	85,710
DHHS Program Expenditures		
Division of Public Health		
06.	Children's Health Services	3,149,826
07.	Maternal Health	185,488
08.	State Center for Health Statistics	29,432
09.	Local Technical Assistance & Training	47,424
10.	Injury and Violence Prevention	149,438
11.	Office of Minority Health	98,236
12.	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	22,856
13.	Immunization Program – Vaccine Distribution	414,175
DHHS Administration		
14.	Division of Public Health Administration	550,681
TOTAL MATERNAL AND CHILD HEALTH BLOCK GRANT		$ 19,009,038

PREVENTIVE HEALTH SERVICES BLOCK GRANT

Local Program Expenditures		
01.	NC Statewide Health Promotion	$1,755,653
02.	Services to Rape Victims	197,112
03.	HIV/STD Prevention and Community Planning (Transfer from Social Services Block Grant)	145,819
DHHS Program Expenditures		
04.	NC Statewide Health Promotion	431,444
05.	Oral Health	114,251
06.	Osteoporosis Program	67,593
DHHS Administration		
07.	Division of Public Health	109,211
TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT		$2,821,083
COMMUNITY SERVICES BLOCK GRANT		
Local Program Expenditures		
Office of Economic Opportunity – Community Services Block Grant		
01.	Community Action Agencies	$ 15,071,666
02.	Limited Purpose Agencies	823,261
DHHS Administration		
03.	Office of Economic Opportunity	823,261
TOTAL COMMUNITY SERVICES BLOCK GRANT		$ 16,718,188

GENERAL PROVISIONS

SECTION 5.1.(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 5.1.(c) Changes in Federal Fund Availability. – If the Congress of the United States increases the federal fund availability for any of the 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 Department shall not propose funding for new programs or activities not appropriated in this section or increase State administrative expenditures.

If the Congress of the United States decreases the federal fund availability for any of the Block Grants administered by the Department of Health and Human Services from the amounts appropriated in this section, the Department shall reduce State administration by at least the percentage of the reduction in federal funds. After determining the State administration, the remaining reductions shall be allocated proportionately across the program and activity appropriations identified for that Block Grant in this section. In allocating a decrease in federal fund availability, the Department shall not eliminate the funding for a program or activity appropriated in this section unless it is related to the State administration.

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 5.1.(d) All changes to the budgeted allocations to the 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 a report shall be submitted to the Joint Legislative Commission on Governmental Operations for review prior to implementing the changes. All changes

to the budgeted allocations to the Block Grant 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 5.1.(e) The Department of Health and Human Services 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 on positions funded from federal Block Grants. The report shall include the following for each Block Grant:

(1) All State positions currently funded through the Block Grant, including permanent, temporary, and time-limited positions.
(2) Budgeted salary and fringe benefits for each position.
(3) Identify the percentage of Block Grant funds used to fund each position.

The report shall be submitted no later than December 1, 2006.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES BLOCK GRANT (TANF)

SECTION 5.1.(f) The sum of five hundred eighty-six thousand nine hundred thirty-one dollars ($586,931) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2006-2007 fiscal year shall be used to support administration of TANF-funded programs.

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SECTION 5.1.(g) The sum of two million two hundred thousand dollars ($2,200,000) appropriated under this section in the TANF Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2006-2007 fiscal year shall be used to provide domestic violence services to Work First recipients. These funds shall be used to provide domestic violence counseling, support, and other direct services to clients. These funds shall not be used to establish new domestic violence shelters or to facilitate lobbying efforts. The Division of Social Services may use up to seventy-five thousand dollars ($75,000) in TANF funds to support one administrative position within the Division of Social Services to implement this subsection.

Each county department of social services and the local domestic violence shelter program serving the county shall jointly develop a plan for utilizing these funds. The plan shall include the services to be provided and the manner in which the services shall be delivered. The county plan shall be signed by the county social services director or the director's designee and the domestic violence program director or the director's designee and submitted to the Division of Social Services by December 1, 2006. The Division of Social Services, in consultation with the Council for Women, shall review the county plans and shall provide consultation and technical assistance to the departments of social services and local domestic violence shelter programs, if needed.

The Division of Social Services shall allocate these funds to county departments of social services according to the following formula: (i) each county shall receive a base allocation of five thousand dollars ($5,000); and (ii) each county shall receive an allocation of the remaining funds based on the county's proportion of the statewide total of the Work First caseload as of July 1, 2006, and the county's proportion of the statewide total of the individuals receiving domestic violence services from programs funded by the Council for Women as of July 1, 2006. The Division of Social Services may reallocate unspent funds to counties that submit a written request for additional funds.

SECTION 5.1.(h) The sum of two million two hundred forty-nine thousand six hundred forty-two dollars ($2,249,642) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2006-2007 fiscal year shall be used to expand after-school programs and services for at-risk children. The Department shall develop and implement a grant program to award grants to community-based programs that demonstrate the ability to reach children at risk of teen pregnancy, school dropout, and gang participation. The Department shall award grants to community-based organizations that demonstrate the ability to develop and implement linkages with local departments of social services, area mental health programs, schools, and other human services programs in order to provide support services and assistance to the child and family. These funds may be used to fund one position within the Division of Social Services to coordinate at-risk after-school programs and shall not be used for other State administration.

SECTION 5.1.(i) The sum of twelve million four hundred fifty-two thousand three hundred ninety-one dollars ($12,452,391) appropriated in this section to the Department of Health and Human Services, Division of Social Services, in the TANF Block Grant for the 2006-2007 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 postadoption services for eligible families.

SECTION 5.1.(j) The sum of three million dollars ($3,000,000) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services, Special Children Adoption Fund, for the 2006-2007 fiscal year shall be used in accordance with Section 10.48 of S.L. 2005-276. 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 5.1.(k) The sum of one million eight hundred thousand dollars ($1,800,000) in this section appropriated to the Department of Health and Human

Services in the TANF Block Grant for the 2006-2007 fiscal year shall be used to implement N.C. FAST (North Carolina Families Accessing Services through Technology). The N.C. FAST Program involves the entire automation initiative through which families access services and local departments of social services deliver benefits, supervised by the Department of Health and Human Services, Divisions of Social Services, Aging and Adult Services, Medical Assistance, and Child Development. The statewide automated initiative shall be implemented in compliance with federal regulations in order to ensure federal financial participation in the project. The Department of Health and Human Services shall report on its compliance with this subsection 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 no later than January 1, 2007.

SECTION 5.1.(l) The sum of five hundred thousand dollars ($500,000) appropriated in this section to the Department of Health and Human Services, Division of Social Services, in the TANF Block Grant for the 2006-2007 fiscal year shall be used to expand after-school programs for at-risk children attending middle school. The Department shall develop and implement a grant program to award funds to community-based programs demonstrating the capacity to reach children at risk of teen pregnancy, school dropout, and gang participation. These funds shall not be used for training or administration at the State level. All funds shall be distributed to community-based programs, focusing on those communities where similar programs do not exist in middle schools.

SECTION 5.1.(m) In implementing the TANF Block Grant, the Department of Health and Human Services shall review policies, programs, and initiatives to ensure that they support men in their role as fathers and strengthen fathers' involvement in their children's lives. The Department shall encourage county departments of social services to ensure their Work First programs emphasize responsible fatherhood and increased participation by noncustodial fathers.

SECTION 5.1.(n) The sum of five hundred fifty thousand dollars ($550,000) appropriated in this section to the Department of Health and Human Services in the TANF Block Grant for the 2006-2007 fiscal year shall be transferred to Work Central, Inc. Work Central, Inc., shall report on the number of people served and the services received as a result of the receipt of funds. The report shall contain expenditure data, including the amount of funds used for administration and direct training. The report shall also include the number of people who have been employed as a direct result of services provided by Work Central, Inc., including the length of employment in the new position. The Department of Health and Human Services shall evaluate the program and ensure that services provided are not duplicative of local employment security commissions in the nine counties served by Work Central, Inc. The evaluation report shall be submitted 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 no later than May 1, 2007.

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SECTION 5.1.(o) The sum of one million five hundred thousand dollars ($1,500,000) appropriated in this section to the Department of Health and Human Services in the Social Services Block Grant for Boys and Girls Clubs for the 2006-2007 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 encourage and facilitate collaboration between the Boys and Girls Clubs and Support Our Students, Communities in Schools, and similar programs to submit joint applications for the funds if appropriate. H Only

SECTION 5.1.(p) The sum of four million dollars ($4,000,000) appropriated in this section to the Department of Health and Human Services, Division of Social Services, in the TANF Block Grant for the 2006-2007 fiscal year shall be used to increase work participation rates by providing substance abuse and mental health services. The services shall be provided to families and children with child welfare issues and mental health or substance abuse problems that are an impediment to work. The Division of Social Services shall work with the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services in the development and implementation of this program. H Only

SECTION 5.1.(q) The sum of four million dollars ($4,000,000) appropriated in this section to the Department of Health and Human Services, Division of Social Services, in the TANF Block Grant for the 2006-2007 fiscal year shall be used to increase work participation rates by providing targeted emergency housing assistance for families and children receiving TANF. The funds shall be used to provide short-term rent assistance or security deposits for families to maintain stable housing, transition from homelessness, or prevent homelessness, including domestic violence situations. The Division of Social Services shall work with the North Carolina Housing Finance Agency in the development and implementation of this program. H Only

SECTION 5.1.(r) The sum of one million dollars ($1,000,000) appropriated in this section to the Child Welfare Collaborative in the TANF Block Grant for the 2006-2007 fiscal year shall be used to provide service awards for students receiving undergraduate or graduate degrees in social work. H Only

SECTION 5.1.(s) It is the intent of the General Assembly that effective beginning with the 2007-2008 fiscal year, North Carolina counties will use county funding to replace any lost TANF and Maintenance of Effort (MOE) funds resulting from North Carolina being penalized for not meeting work participation rates in the 2006-2007 fiscal year and thereafter. The Department of Health and Human Services, Division of Social Services, shall develop a plan for implementation of county penalty payments. The Department shall report on its development and implementation of the plan 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 no later than April 1, 2007. H Only

SOCIAL SERVICES BLOCK GRANT

SECTION 5.1.(t) Social Services Block Grant funds appropriated to the North Carolina Inter-Agency Council for Coordinating Homeless Programs and the North Carolina Housing Coalition are exempt from the provisions of 10A NCAC 71R.0201(3).

SECTION 5.1.(u) The sum of two million seven hundred forty-nine thousand six hundred forty-two dollars ($2,749,642) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services and transferred to the Department of Juvenile Justice and Delinquency Prevention for the 2006-2007 fiscal year shall be used to support the existing Support Our Students Program, including gang prevention, and to expand the Program statewide, focusing on low-income communities in unserved areas. These funds shall not be used for administration of the Program.

SECTION 5.1.(v) The sum of two million five hundred fifty thousand dollars ($2,550,000) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2006-2007 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) Support the Masters Degree in Social Work/Baccalaureate Degree in Social Work Collaborative.
(3) Provide training for residential child care facilities.
(4) Provide for various other child welfare training initiatives.

SECTION 5.1.(w) The sum of eight hundred thirty-eight thousand dollars ($838,000) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services for the 2006-2007 fiscal year shall be used to purchase services at maternity homes throughout the State.

SECTION 5.1.(x) The sum of one million seven hundred six thousand sixty-three dollars ($1,706,063) appropriated in this section in the Social Services Block Grant for child caring agencies for the 2006-2007 fiscal year shall be allocated to the State Private Child Caring Agencies Fund.

SECTION 5.1.(y) 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.

LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM

SECTION 5.1.(z) 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.

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT

SECTION 5.1.(aa) The sum of no more than four hundred thousand dollars ($400,000) appropriated in this section to the Department of Health and Human Services in the Child Care and Development Fund Block Grant for the 2006-2007 fiscal year may be used for the operations of the Medical Child Care Pilot.

SECTION 5.1.(bb) 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 5.1.(cc) 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.

MENTAL HEALTH BLOCK GRANT

SECTION 5.1.(dd) The sum of one million five hundred thousand dollars ($1,500,000) appropriated in this section in the Mental Health Block Grant to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the 2006-2007 fiscal year, and the sum of four hundred twenty-two thousand three dollars ($422,003) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2006-2007 fiscal year shall be used to continue a Comprehensive Treatment Services Program for Children in accordance with Section 10.25 of S.L. 2005-276.

SECTION 5.1.(ee) The Department of Health and Human Services shall contract with the University of North Carolina at Chapel Hill for the purpose of providing psychology student stipends in the amount of fifty thousand dollars ($50,000) for the 2006-2007 fiscal year. Twenty-five thousand dollars ($25,000) of this contract shall be paid from the Mental Health Block Grant.

MATERNAL AND CHILD HEALTH BLOCK GRANT

SECTION 5.1.(ff) 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 2006-2007 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). The Department of Public Instruction shall carefully and strictly follow federal guidelines in implementing and administering the abstinence education grant funds.

SECTION 5.1.(gg) The Department of Health and Human Services shall ensure that there will be follow-up testing in the Newborn Screening Program.

VISITOR REGISTRATION SHEET

JOINT CONFEREES ON APP. SUB. HEALTH + HUMAN SERVICES

~~SENATE HEALTH CARE COMMITTEE~~ JUNE 20, 2006

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

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Don Jones	OSBM
Kari Barsness	OSBM
Debbie Barnes	OSBM
Wayne Williams	OSBM
Jane Smith	NCDHHS
Lattie Baker	ADCHC
Chris Phillips	DMH/DD/SAS
Margaret Matrone	NCHFA
Jud Welch	Eastern Band UCB
Selena Bernier	Child Fatality Task Force
Janice Freedman	NC Healthy Start Foundation

VISITOR REGISTRATION SHEET

SENATE HEALTH CARE COMMITTEE — JUNE 28 2006

Name of Committee — **Date**

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Tom Vitaglione	Action for Children
Elizabeth Jacobs	Action for Children
Alex Sewell	NCSR
Jim Edgerton	DHHC
Mary Cox	DAAS
Josie Douglas	NCAD
Ann Bennett	NCARF
Robin Huffman	NC Psychiatric Assoc / Coalition 2001
Janet Schaaf-Woods	NC Council / C-2001
Abby C. Emanuelson	NMSS
Suzanne Merrill	DAAS

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SENATE HEALTH CARE COMMITTEE — JUNE 20, 2006

Name of Committee — **Date**

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Mary Bethea	AANP-NC
[illegible]	NAMI NC
Jennifer Mahan	MHA-NC / Coalition 2001
Deborah Barnes	NCPHA / NC ALHD
Jerry Cooper	NCALA
Bill Aldridge	NCPC
[illegible]	[illegible]
Gill Hinton Reed	Autism Soc of NC (C200)
Rebecca Troutman	NCACC
Patricia Rencher	NCACC
Daniel Cordero	NLACC

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SENATE HEALTH CARE COMMITTEE — JUNE 20 2006

Name of Committee — **Date**

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Tabe Wade	DHHS
Lee Hodge	KCCH
Lee Nelson	NCALTCF
Patrick Bryant	Alley Assoc, Inc.
Elizabeth Dalton	NCRMA
Steve Keene	NC Medical Society
Hugh Tilson	NCHA
Tony Colari	Smart Start
B Wilson	AARP
Roz Sowitt	NC Child Care Coalition
Jon Nuhut	NCBWNA

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SENATE HEALTH CARE COMMITTEE — JUNE 20, 2006

Name of Committee — **Date**

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NAME	FIRM OR AGENCY AND ADDRESS
Andy Ellen	NCCMA
[illegible]	ACP
BILL RUSTIN	ACP
LANIER CANSLER	
ANN [illegible]	OWNS
John Rustin	NCFPC
BRIAN SHANK	ASTRAZENECA
Stacey Flannery	NCHCFA
Mark Trawick	Intern
Jennifer Talbot	Prevent Blindness
[illegible]	NCSCPS

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SENATE HEALTH CARE COMMITTEE — JUNE 20, 2006

Name of Committee — **Date**

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Alan Skipper	NC Med. Soc.
Lu-Ann Cox Penegnan	NC Psychiatric Assoc
Amy Jo Horne	NC Medical Society
Jim Johnson	
Bob Howard	
[illegible]	[illegible]
[illegible]	[illegible]