2009-2010

JOINT APPROPRIATIONS – HEALTH & HUMAN SERVICES

MINUTES

SENATE APPROPRIATIONS SUBCOMITTEE ON HEALTH AND HUMAN SERVICES

Wednesday, February 25, 2009
8:30 a.m.
Room 643, Legislative Office Building

The Senate Appropriations Subcommittee on Health and Human Services met on Wednesday, February 25, 2009, in Room 643 for the first meeting of the 2009-2010 session. Senator William R. Purcell, Co-chair, presided. Senate members present were: Co-chairs William R. Purcell and Doug Berger and Senators Nesbitt and Blake.

Co-chair Purcell introduced the committee members, committee staff, committee clerks, and the Sergeant-at-Arms.

Secretary Lanier Cansler, Department of Health and Human Services, made introductory remarks. Secretary Cansler focused on the outlook for the Department of Health and Human Services for 2009-2010. He talked about the Department and the challenges they are currently facing and will be facing over the next two years. Secretary Cansler put building trust and confidence in the agency at the top of his list of important issues. He discussed the Department of Health and Human Services budget and how it compares to other state agencies to stress the importance of the programs it offers. Secretary Cansler also spoke on the importance of improving the ways of communication between the divisions within the department due to increase in demand for needs. He discussed the need to set policy and determine how to make those work within the limits of the budget. Secretary Cansler said mental health reform is over and now the need is to build the system.

Co-chair Purcell opened the floor for questions from committee members for Secretary Cansler. Co-chair Purcell introduced committee members who came in after the meeting had begun.

Jim Slate, Director, DHHS Budget and Analysis was the next speaker and discussed Fiscal Year 2008-09 budget reductions. Included in Attachment 1 is the SFY 08-09 Budget Reduction Plan to Move Divisions* from a 4% to a 6% Reduction Total (*DMH from a 3% to a 4% Reduction) Mr. Slate discussed the reductions in various divisions.

Co-chair Purcell opened the floor for discussion and questions regarding DHHS budget reductions.

The meeting was adjourned by Co-chair Purcell at 9:40 a.m.

WR Purcell
Senator William R. Purcell, Co-chair

Sara Sheppard, Committee Ass't.

Appropriations on Health and Human Services Committee

Sen. William R. Purcell, CoChair
Sara Sheppard, 3-5953

Sen. Doug Berger, CoChair
Brice Bratcher, 5-8363

Sen. Martin L. Nesbitt, Jr., Vice Chair
Janette Lee, 5-3001

Sen. Charlie S. Dannelly
Dee Hodge, 3-5955

Sen. Harris Blake
Anna Kidd, 3-4809

Sen. Debbie A. Clary
Misty Greene, 5-3038

Sen. Jim Forrester
Mary Watson, 5-3050

Sara Sheppard, Committee Assistant
Brice Bratcher, Committee Assistant

Lisa Hollowell, Fiscal Research
Melanie Bush, Fiscal Research
Lee Dixon, Fiscal Research
Bryce Ball, Fiscal Research

JOINT APPROPRIATIONS SUBCOMMITTEE FOR HEALTH AND HUMAN SERVICES

AGENDA

February 25, 2009
Legislative Office Building - Room 643

Senate
Sen. William Purcell
Sen. Doug Berger
Sen. Charlie Dannelly
Sen. Martin Nesbitt
Sen. Harris Blake
Sen. Debbie Clary
Sen. James Forrester

House
Rep. Beverly Earle
Rep. Verla Insko
Rep. Bob England
Rep. Jeffrey Barnhart
Rep. Jean Farmer-Butterfield
Rep. William Brisson
Rep. Pearl Burris-Floyd
Rep. Nelson Dollar
Rep. Wil Neumann
Rep. Randy Stewart

Committee Chairs	*Senator William Purcell* *Senator Doug Berger* *Representative Beverly Earle* *Representative Verla Insko* *Representative Bob England*
Introduction of Committee	*Committee Members*
Staff Introductions Committee Clerks Fiscal Research Division	*Co-chairs*
Introductory Remarks	*Secretary Lanier Cansler* *Department of Health and Human Services*
FY 2008-09 Budget Reductions	*Jim Slate* *Director, DHHS Budget and Analysis*
Committee Discussion	*Committee Members*
Closing Remarks	*Co-Chairs*

MINUTES
Joint Appropriations Subcommittee on
Health and Human Services

February 26, 2009

The Joint Appropriations Subcommittee on Health and Human Services met in Room 643 on February 26, 2009. Representative Bob England presided and called the meeting to order at 8:30 a.m. Chairman England then welcomed all members and visitors and introduced the Pages and Sergeant at Arms who would be assisting with the meeting.

The following members were present; Chairs: Representative Earle and Insko and Senators Berger and Purcell. Members: Representatives Barnhart, Farmer-Butterfield, Brisson, Burr, Burris-Floyd, Dollar, and Stewart; and Senators Blake, Forrester, Clary, and Nesbitt.

Chairman England then recognized Lisa Hollowell with the Fiscal Research Division to explain the information given on the Appropriation Process and Role of Fiscal Research Division Staff. Chairman England then recognized Committee members for questions of Ms. Hollowell. Following these discussions, Chairman England then recognized members of Staff to present and explain the NC Department of Health and Services Overview. After the presentation, members of the Committee were recognized for questions. Following these discussions, the meeting was adjourned at 9:50 a.m. A copy of all presentations is attached to these minutes.

Representative Bob England, MD
Chairman

Lisa W. Brown
Committee Assistant

ATTENDANCE

Health and Human Services

(Name of Committee)

DATES	2-26-09														
Rep. Beverly Earle	ab														
Rep. Bob England	✓														
Rep. Verla Insko	✓														
Rep. Jeff Barnhart	✓														
Rep. Jean Farmer-Butterfield	✓														
Rep. William Brisson	✓														
Rep. Justin Burr	✓														
Rep. Pearl Burris-Floyd	✓														
Rep. Nelson Dollar	✓														
Rep. Wil Neumann	ab														
Rep. Randy Stewart	✓														
Staff															
Lisa Hollowell	✓														
Melanie Bush	✓														
Lee Dixon	✓														
Bryce Ball	✓														
Jen Blake	✓														
Forrester	✓														
Berger	✓														
Purcell	✓														
Clary	✓														
Nesbitt	✓														
Dannelly															

Senate
Sen. William Purcell
Sen. Doug Berger
Sen. Charlie Dannelly
Sen. Martin Nesbitt
Sen. Harris Blake
Sen. Debbie Clary
Sen. James Forrester

House
Rep. Beverly Earle
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Rep.Bob England
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Rep.Jean Farmer-Butterfield
Rep. William Brisson
Rep. Pearl Burris-Floyd
Rep. Nelson Dollar
Rep. Wil Neumann
Rep. Randy Stewart

JOINT APPROPRIATIONS SUBCOMMITTEE FOR HEALTH AND HUMAN SERVICES

AGENDA

February 26, 2009
Legislative Office Building - Room 643

Committee Chairs	*Senator William Purcell* *Senator Doug Berger* *Representative Beverly Earle* *Representative Verla Insko* *Representative Bob England*
Appropriation Process and Role of Fiscal Research Division Staff	*Lisa Hollowell, FRD*
NC Department of Health and Human Services Overview	*FRD Staff*
Closing Remarks	*Co-Chairs*

VISITOR REGISTRATION SHEET

Health and Human Services — 2-26-09

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Michelle Frazier	Manning Fulton
Maria McBride	Senior Fellow Legislature
Evelyn Hawthorne	DTGR
Julia Leggett	DRC
Chip Baggett	NCMS
Erin McLaughlin	MHA NC
DANIEL WILSON HAYLEY ROGERS	NC Rural Water
DAVID BARNES	Pulmer Sawmill
Robin Huffman	NC Psychiatric Assoc
Anthony Peace	

VISITOR REGISTRATION SHEET

Health + Human Servs 2/26/09

Name of Committee Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY
Andy, Ellen	NCRMA
Keni Melton	KMA
Joni Alberg	BEGINNINGS
Becki Gray	John Locke Foundation

VISITOR REGISTRATION SHEET

Health and Human Services — 2-26-09

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
[signature]	NMSS-NC
Elizabeth Claud	NC Psych Assoc
Annaliese Dolph	DRNC
Jennifer Mahan	MHANC
Heather Laffler	DHHS-DCD
[signature]	[illegible]
Stephanie Fayyad	Smart Start
Catherine DuPre	Cardinal Healthcare
Martha A. McConnell	Carolinas HealthCare System
[signature]	[illegible]
[signature]	GSK

VISITOR REGISTRATION SHEET

2-26-09

Name of Committee | Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Dennis Reynolds	TCi
Patricia Yancey	APPCNC
Kim Lamb	WCSR

VISITOR REGISTRATION SHEET

Health and Human Services — 2-26-09

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
David Boaz	NWC
Ashley C. Bell	American Cancer Society
[illegible]	Covenant
Kenneth Friday	Friday's Place. Inc.
Anthony Peace	Green-Bullock MLC, LLC
Hugh Tilson	NCHA
Bill Wilson	AARP
Tracy Colvard	AHHC
Lynette [illegible]	NCALHD
Vincent Stephens	CMS
Erika Mclean	Intern, Rep. Inchco

NC Department of Health and Human Services

HHS Fiscal Research Team

February 26, 2009

FISCAL RESEARCH DIVISION
A Staff Agency of the North Carolina General Assembly

Topics Today

- HHS Budget Overview

- Divisions
  - Overview
  - Recent Significant Legislative Actions

- Questions

Departmental Overview

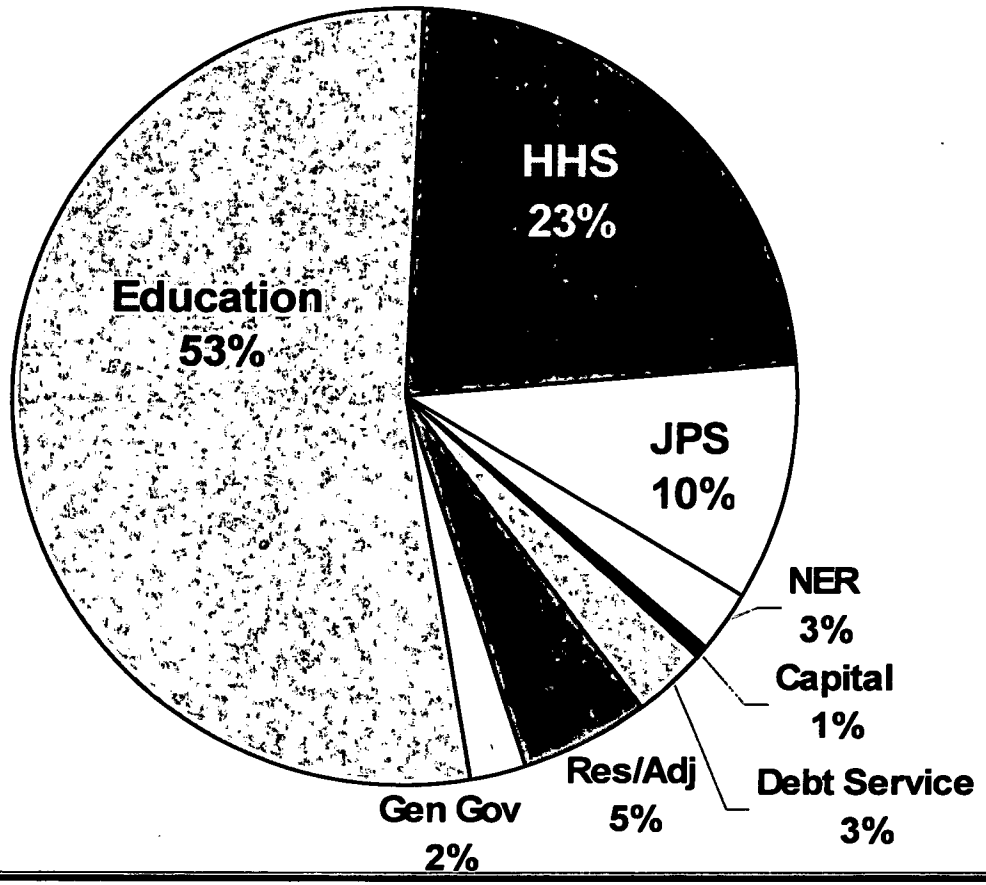
- Largest agency in State government
- 30 divisions and offices
- 18,854 employees
- Divided into four broad service areas:
  - Health
  - Human services
  - Administration
  - Support services
- Oversees 18 facilities:
  - Developmental centers and schools
  - Psychiatric hospitals and alcohol and drug abuse treatment centers
  - Neuro-medical centers

Departmental Overview

- DHHS provides:
  - health insurance for low-income children and the aged, blind, and disabled
  - mental health and substance abuse services
  - child welfare and social services
  - public health prevention and education
  - services for the disabled and people who are blind, deaf, or hard of hearing
  - services for the aging

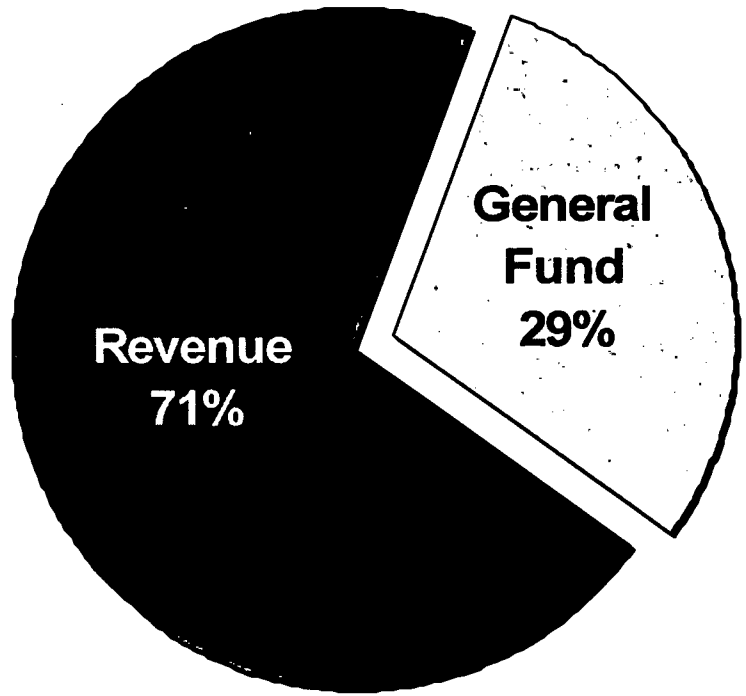
Budget Overview

SFY 2008-09 NC GENERAL FUND



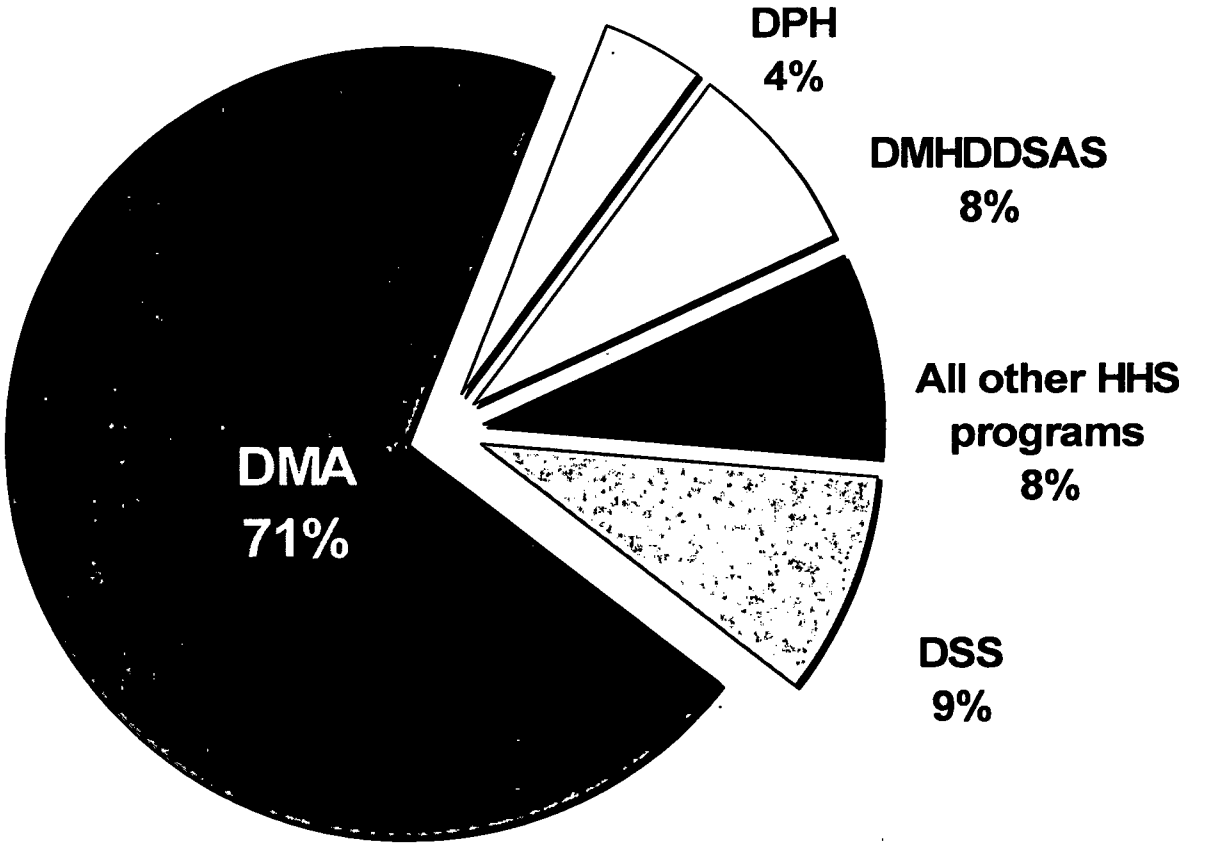
Budget Overview

HHS BUDGET FY 2008-09
$16.6 BILLION



Budget Overview

PERCENT OF TOTAL HHS BUDGET FY 2008-09



Division of Child Development

PURPOSE

- Provides early childhood services, including
  - Child care subsidies for working families
  - High-quality child care for families
  - Early childhood education initiatives like Smart Start

Division of Child Development

BUDGET

- SFY 2008-09: $638.4 million
  - $333.5 million revenue
  - $304.9 million State funds
- Increase of 2.6% over prior year

- 52% budget from federal Child Care Development Fund (CCDF) and Temporary Assistance for Needy Families (TANF) block grants

Division of Child Development

SIGNIFICANT LEGISLATIVE ACTIONS

- 2007: Provided funding for the T.E.A.C.H. program
- 2007-2008: Increased funding for the Child Care Subsidy program and adjusted market rates
- 2007-2008: Increased funding for Smart Start

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

PURPOSE

- Provides prevention, intervention, treatment and services to people who have or at risk of having:
  - mental illness
  - developmental disabilities
  - substance abuse problems
- Includes
  - community-based services
  - State-operated residential treatment facilities
    - Psychiatric hospitals and developmental centers
    - Alcohol and drug abuse treatment centers (ADATCs)
    - Neuro-medical centers (psychiatric and developmental disability)
    - Residential programs for children

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

BUDGET

- SFY 2008-09: $1.3 billion
  - $519 million revenue
  - $742 million State funds
- 14.5% decrease from prior year funding level

- Federal funds include Medicaid and federal block grant funding

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

SIGNFICANT LEGISLATIVE ACTIONS

- 2007: Realigned and increased funding for crisis services
- 2007: Realigned and increased funding for substance abuse services
- 2008: Provided funding for mobile crisis prevention teams and walk-in crisis and immediate psychiatric aftercare services
- 2008: Provided funding for local psychiatric hospital inpatient beds
- 2008: Established a Dorothea Dix Hospital Overflow Unit and increased staff ratios at all State psychiatric hospitals Division of Medical Assistance

Division of Aging and Adult Services

PURPOSE

- Provides services for the elderly and services for disabled adults through
  - 17 Area Agencies on Aging
  - 100 county departments of social services to deliver services

- Programs include
  - adult protective services and guardianship
  - State/County Special Assistance for adult care homes
  - at-risk and adult care home case management
  - home and community based services
    - Adult day care
    - Nutrition services
    - Transportation
    - Senior Centers

Division of Aging and Adult Services

BUDGET

- SFY 2008-09: $87.5 million
  - $49.2 million revenue
  - $38.3 million State funds
- Decrease of 1% from prior year

- 56% of budget funded by federal Older Americans Act and Social Services Block Grant

Division of Aging and Adult Services

SIGNIFICANT LEGISLATIVE ACTIONS

- 2007: Funded Quality Improvement Pilot for Adult Care Homes
- 2007-2008: Increased funding for Home and Community Care Block Grant
- 2007-2008: Increased State/County Special Assistance rate to $1,207/month
- 2008: Provided funding for Project CARE

Division of Health Service Regulation

PURPOSE

- Establishes and enforces the regulation of health and social care facilities

- Major functions:
  - Medical facilities planning
  - Licensure and regulation of the construction and operation of health/social care facilities
  - Operation of the health care personnel registry
  - Development of statewide emergency medical services (EMS)

Division of Health Service Regulation

BUDGET

- SFY 2008-09: $54.9 million
  - $33.4 million revenue
  - $21.5 million State funds
- Decrease of 4.6% from prior year

- Primary sources of receipts include licensure fees, federal bioterrorism grants, and federal Medicare and Medicaid funds

Division of Health Service Regulation

SIGNIFICANT LEGISLATIVE ACTIONS

- 2007: Provided funding for 9 positions for the Certificate of Need (CON) program
- 2007-2008: Provided funding for 16 positions for the Construction Program
- 2007: Increased positions for the Health Care Personnel Registry and established a star-rating system for adult care homes

Division of Medical Assistance

PURPOSE

- DMA provides health insurance and services to:
  - low-income children and their families
  - pregnant women
  - seniors
  - people who are blind
  - people with disabilities

Division of Medical Assistance

BUDGET

- SFY 2008-09: $11.7 billion
  - $8.6 billion revenue
  - $3.2 billion State funds
- Increase of 1.2% over prior year funding level

- 1.3 million enrolled

Division of Medical Assistance

SIGNIFICANT LEGISLATIVE ACTIONS

- 2007-2009: Phase out of County Share
- 2007: Health Choice enrollment growth capped at 6%
- 2007: NC Kids' Care expansion
- 2007-2008: Programmatic changes to Community Support service
- 2008: Tiered slots for the CAP-MR/DD program

Health Choice

PURPOSE

- Provide health insurance to uninsured children
  - Up to age 18
  - From families with income up to 200 percent FPL
- Benefits that mirror the State Health Plan
  - Dental, Vision, Hearing
- Not an entitlement program
- Administered by State Health Plan

Health Choice

BUDGET

- SFY 2008-09: $271 million
  - $201 million revenue
  - $69 million State funds
- Increase of 11.8% over prior year funding level
- 124,000 enrolled

Health Choice

SIGNIFICANT LEGISLATIVE ACTIONS

- Enrollment Growth Capped at 6 percent
- Transition administration from SHP to DMA
- Reauthorized State Children's Health Insurance Program
  - State Formula
  - Increase Enrollment
  - Quality of Care
  - Benefits

Division of Public Health

PURPOSE

- Supervises and supports the Local Health Departments
- Epidemiology
  - State Laboratory
  - Communicable Disease
  - Public Health Preparedness
  - State Center for Health Statistics
- Women's and Children's Health
  - Maternal and Infant Health
  - Early Intervention
  - Teen Pregnancy
- Chronic Disease
  - Diabetes, heart disease, obesity

Division of Public Health

BUDGET

- SFY 2008-09: $716 million
  - $527 million revenue
  - $189 million State funds
- Increase of 5% in State funding over prior year
- 78% of funding spent on public health services
- State funding represents 4% of public health funding

Division of Public Health

SIGNIFICANT LEGISLATIVE ACTIONS

- Increased funding for Breast and Cervical Cancer screenings
- Increased funding for Local Health Departments
- Appropriated funds to prevent teenage pregnancy
- Appropriated funds for obesity prevention demonstration projects

Division of Central Management and Support

PURPOSE

- Provides agency-wide administrative support to the 30 divisions and offices within DHHS. Sections include

- Budget and Analysis
- Internal Auditor
- Information Resource Management
- Citizen Services
- Medicaid Management Information System
- Office of the Secretary
- Human Resources
- Controller
- Property & Construction
- Government & Community Relations
- Office of Rural Health

Division of Central Management and Support

BUDGET

- SFY 2008-09: $148.9 million
  - $96.1 million revenue
  - $52.8 million State funds
- Decrease of 31.7% from prior year

- Federal receipts represent 64.5% of total funding, including Medicaid and block grant funding

Division of Central Management and Support

SIGNIFICANT LEGISLATIVE ACTIONS

- 2007: Provided funding for a new Health Information System
- 2007: Increased funding for Medical and Dental Recruitment initiatives
- 2007-2008: Increased funding for Community Health Centers
- 2007-2008: Provided funds for Rural Hospital maintenance
- 2007-2008: Provided funds to sustain the Health Net program

Division of Social Services

PURPOSE

- Supervises federally-mandated, county-administered social services system
  - 100 local county departments deliver services and benefits
  - NC DSS provides oversight, support, training, technical assistance

- Programs handled by local county DSS offices:
  - Child welfare services
  - Family support services
  - Work First
  - Child Support
  - Food and Nutrition Services

Division of Social Services

BUDGET

- SFY 2008-09: $1.5 billion
  - $1.3 billion revenue
  - $222 million State funds
- Decrease of 3.4% from prior year

- Revenues flat for past 5 years due to capped federal funding that drives budget
  - Social Services Block Grant (SSBG)
  - Temporary Assistance for Needy Families (TANF) Block Grant

Division of Social Services

SIGNIFICANT LEGISLATIVE ACTIONS

- 2007-08: Increased State/County Special Assistance rate
- 2007: Created Child Welfare Post-Secondary Support Program
- 2008: Increased foster care and adoption assistance payments
- 2008: Increased funding for Food Banks by $1.5 million

Divisions of Blind, Deaf and Hard-of-Hearing

PURPOSE

- Provide comprehensive range of services for the
  - Blind or visually impaired
  - Deaf or hard-of-hearing
  - Deaf-blind or speech impaired, and
  - Affected families, service agencies, and businesses

DSB Programs	DSDHH Programs
- Independent Living	- Field Services
- Medical Eye Care	- Telecommunications Access
- Rehabilitation Services	- Communications Access & Interpreter Support

Divisions of Blind, Deaf and Hard-of-Hearing

BUDGET

- SFY 2008-09: $30.3 million
  - $18.8 million revenue
  - $11.5 million State funds
- Nearly 75% of funds are devoted to rehabilitation and independent living activities
- Receipts are less than 62% of the total budget

Divisions of Blind, Deaf and Hard-of-Hearing

SIGNIFICANT LEGISLATIVE ACTIONS

- 2007-08: Established four new Independent Living Program Staff
- 2007-08: Increased funding for the Vocational Rehabilitation Program
- 2007-08: Provided funding for the Medical Eye Care Program
- 2007-08: Established three new Deaf Regional Field Office Staff

Office of Education Services

PURPOSE

- Serves as the central office for:
  - NC Schools for the Deaf and Hard-of-Hearing
  - Governor Morehead School for the Blind; and
  - Early intervention, Outreach, and Resource Support programs

- Guides all DHHS educational programs, including
  - Psychiatric hospital schools
  - Mental Health residential schools
  - Developmental Disability Center programs

Office of Education Services

BUDGET

- SFY 2008-09: $41.9 million
  - $2.3 million revenue
  - $39.6 million State funds
- Increase of 3.5% over prior year

- Receipts from DPI for student transportation costs represent 5.6% of the total expenditures.

Office of Education Services

SIGNIFICANT LEGISLATIVE ACTIONS

- 2008: One-time funding to replace GMS telephone and emergency systems

Division of Vocational Rehabilitation

PURPOSE

- Promotes employment and independence for the disabled through
  - Vocational Rehabilitation
  - Independent Living
  - Assistive Technology
  - Client Assistance, and
  - Disability Determination

Division of Vocational Rehabilitation

BUDGET

- SFY 2008-09: $136.9 million
  - $93.4 million revenue
  - $43.5 million State funds
- Increase of 6.8% over prior year

- Federal receipts represent over 67% of the DVRS budget.

Division of Vocational Rehabilitation

SIGNIFICANT LEGISLATIVE ACTIONS

- 2007-08: Increased funding for the Assistive Technology Program
- 2007-08: Increased funding for the Independent Living Program

Questions

North Carolina General Assembly
Fiscal Research Division
Room 619
Legislative Office Building
Raleigh, NC 27603-5925
(919)-733-4910

www.ncleg.net/fiscalresearch

APPROPRIATIONS COMMITTEE PROCESS & ROLE OF STAFF

Joint Appropriations Subcommittee on Health and Human Services

Terms

Continuation Budget is the recommended funding needed to continue the operations of programs and services at the level previously approved by the General Assembly. Allowable price and inflationary rate increases may include: water & sewer, electricity, natural gas, food, drugs, medical supplies, subsistence, fuel oil, and annualization of programs funded part year in the previous fiscal year.

- The Subcommittee reviews the continuation budget of many of the agencies/divisions within the Department of Health and Human Services and identifies areas for possible budget reductions, increases, and/or policy changes.

Expansion Budget - Governor's Recommended Adjustments to the Base Budget (2009-2011) Expansion includes new programs; expansion of existing programs; or permanently funding programs originally funded as pilots or with one time funding.

- The Subcommittee reviews all expansion budget requests of the agencies/divisions within the Department of Health and Human Services and determines whether to fund those requests.

Joint Conference Committee Report on the Continuation, Expansion and Capital Budgets – This report will itemize reduction and expansion items to the Continuation Budget. This Subcommittee is responsible for the development of this report. This is also referred to as the "Money Report". Expansion and reduction items may incorporate members' bills or suggestions and Governor's recommended items.

Budget Special Provisions – As budget issues are discussed members may suggest special language that directs certain policy actions and/or specific guidelines on how budgeted monies are to be used. Bill Drafting staff in consultation with members and fiscal staff draft these special provisions. The special provisions will constitute the budget bill.

APPROPRIATIONS COMMITTEE PROCESS & ROLE OF STAFF

Joint Appropriations Subcommittee on Health and Human Services

Budget Targets – Typically, the House and Senate Subcommittees are each given a budget target by their respective Full Appropriations Chairpersons.

"Flagging" of budget issues – Since votes on budget reductions or increases are generally not taken until later in the subcommittee process, subcommittee members may **flag** budget items for further information and review. The fiscal staff will keep track of flagged items and go through a final "**Flag**" list when requested by the subcommittee chairs, usually after all DHHS programs have been reviewed.

General Fund –
The primary funding source (aside from federal funds) for State government operations is the General Fund. The GF includes revenues from various taxes including: personal income, sales and use tax, and corporate income.

Fiscal Research Division

- Fiscal staff will coordinate daily meetings and agenda with subcommittee chairs.
- Information Request Follow-up/Coordination – Please feel free to make requests for information through the Fiscal Research Division. FRD Staff will work with DHHS and State Budget to answer members' information requests, both for individual members and for the subcommittee.
- Prepare the subcommittee budget "money reports".
- Fiscal Notes – Fiscal Staff prepare fiscal notes on bills impacting the Department of Health and Human Services and local governments when requested.

Role of Other Staff

- **General Assembly Bill Drafting Staff** – Assist members with research on legal issues affecting subcommittee deliberations and assist members in writing special budget provisions. Two bill drafters are assigned to this subcommittee, Gann Watson and Joyce Jones.

- **Departmental Staff** – Departmental staff will answer members' questions during committee meetings and work with fiscal staff to obtain additional information if needed. Departmental staff will make presentations on the department and on studies required by the General Assembly.

- **Office of State Budget and Management (OSBM)** – OSBM will assist members and fiscal staff with information on departmental budgets and programs. State Budget acts as a resource on program budgeting and departmental performance measures.

SFY 08-09 Budget Reduction Plan
to Divisions* from a 4% to a 6% Reduction Total
(*DMH from a 3% to a 4% Reduction)

	Reduction Item	Description	4% Reduction Plan (3% for DMH)			Additional 2% Reduction (1% for DMH)			Total 6% Reduction Plan (4% for DMH)		
			Admin.	Program	Total	Admin.	Program	Total	Admin.	Program	Total
Central Administration											
1	Central Management and Support	Lapsed salary funding and reductions in other administrative operating accounts. Program reductions include a reduction to special appropriations for the Institute of Medicine ($18,000) and Action for Children ($6,750).	$17,330	$24,750	$42,080				$17,330	$24,750	$42,080
2	Administration and Support	Lapsed salary funding and reductions in other administrative operating accounts. Program reductions include a reduction to special appropriations for Food Runners ($4,500), Special Olympics ($6,000), and ALS ($12,000).	$118,462	$22,500	$140,962				$118,462	$22,500	$140,962
3	Controller's Office	Lapsed salary funding and reductions in other administrative operating accounts.	$678,110		$678,110				$678,110		$678,110
4	Controller's Office	Overrealized Federal Receipts-Excess over budget				$87,103		$87,103	$87,103		$87,103
5	DIRM	Surplus Funds in the Martin County Call Center Project Return of Remaining Appropriation in the 2 type Budget Code for Information Technology (BC 24410) / Fund 2412 for Martin County Call Center					$498,933	$498,933		$498,933	$498,933
6	Office of Rural Health and Community Care (ORHCC)	Eliminate grant funding for the Medicaid Access and Review Program. No grants anticipated, little or no impact					$45,843	$45,843		$45,843	$45,843
		Reduces new funding received in SFY 09 for the hospital loan repayment program. Minimal impact.					$113,966	$113,966		$113,966	$113,966
		Lapsed salary funding and reductions in other administrative operating accounts ($151,410). Program reductions include a reduction to Health Net ($48,750), reduction to ORHCC ($285,000) and reduction to Hospital Critical Needs grants ($459,940).	$121,517	$793,690	$915,207	$29,893		$29,893	$151,410	$793,690	$945,100
	Total Reductions - CA		**$935,419**	**$840,940**	**$1,776,359**	**$116,996**	**$658,742**	**$775,738**	**$1,052,415**	**$1,499,682**	**$2,552,097**
Division of Aging and Adult Services											
7	Lapsed Salaries	Lapsed salaries from not filling vacant positions.	$26,378		$26,378	$30,000		$30,000	$56,378		$56,378
8	Other Operating (2xxx-5xxx)	Reduced travel, supplies, printing, etc.; activities will be limited to absolutely necessary functions critical to core mission.	$90,466		$90,466				90466		90466
		Contract for the Adult Care Home Quality Improvement program would be eliminated.				$69,000		$69,000	$69,000		$69,000
9	QI Program	Funding to four counties for the QI program eliminated.					$68,000	$68,000		$68,000	$68,000
10	Home & Community Care Block Grant (HCCBG)	Reduction in In-Home, Congregate and Home Delivered meals. Reduction includes $2M in unallocated 2008-09 HCCBG expansion funds and $537,578 of federal carry forward funding available for FFY 08.		$1,774,832	$1,774,832		$762,746	$762,746		$2,537,578	$2,537,578
	Total Reductions - DAAS		**$116,844**	**$1,774,832**	**$1,891,676**	**$99,000**	**$830,746**	**$929,746**	**$215,844**	**$2,605,578**	**$2,821,422**

SFY 08-09 Budget Reduction Plan
to Move Divisions* from a 4% to a 6% Reduction Total
(*DMH from a 3% to a 4% Reduction)

	Reduction Item	Description	4% Reduction Plan (3% for DMH)			Additional 2% Reduction (1% for DMH)			Total 6% Reduction Plan (4% for DMH)		
			Admin.	Program	Total	Admin.	Program	Total	Admin.	Program	Total
Division of Child Development											
11	Lapsed Salaries	Lapsed salaries from not filling vacant positions.	$198,892		$198,892	$100,000		$100,000	$298,892		$298,892
12	Overrealized Receipts	Interest, penalties, return check fees, procurement card rebate				$5,914		$5,914	$5,914		$5,914
13	Other Operating (2xxx-5xxx)	Contract obligation is reduced.	$71,694		$71,694				$71,694		$71,694
		Printing, postage, telephone data, travel.	$18,385		$18,385				$18,385		$18,385
14	State Level Contracts	Staff Development Testing Contracts.		$58,500	$58,500					$58,500	$58,500
		Additional $100K awarded in SFY 08-09 for TEACH that is not in contract yet.		$100,000	$100,000					$100,000	$100,000
15	Reduction in Smart Start Funding	A reduction of $8.88M in SFY 08-09 funding was taken to meet the 4% reduction. An additional $3.0M was reduced to meet the 6% reduction plan.		$8,886,039	$8,886,039		$2,995,103	$2,995,103		$11,881,142	$11,881,142
16	Reduction to Subsidized Child Care Funding	Reduction to subsidized child care services funding allocated to counties statewide. Reduction would take a portion of the anticipated unspent balance based upon current spending levels. It is anticipated that More at Four will also be transferring an additional $1.5-2M in funding to the subsidized child care program between now and the end of the SFY.		$4,892,388	$4,892,388		$7,293,913	$7,293,913		$12,186,301	$12,186,301
	Total Reductions - DCD		**$288,971**	**$13,936,926**	**$14,225,897**	**$105,914**	**$10,289,016**	**$10,394,930**	**$394,885**	**$24,225,942**	**$24,620,827**
Office of Education Services											
17	Other Operating (2xxx-5xxx)	Reduced purchased services, supplies, other expenses, etc.; activities will be limited to absolutely necessary functions critical to core mission.	$1,051,644		$1,051,644	$466,688		$466,688	$1,518,332		$1,518,332
18	Overrealized Receipts	Reimbursement from Rural Health for use of office space.	$55,016		$55,016				$55,016		$55,016
		Reimbursement from Blind Svcs. for use of office space.	$92,217		$92,217				$92,217		$92,217
		Fund 1311 - Licensure Fees				$38,000		$38,000	$38,000		$38,000
	Total Reductions - OES		**$1,198,877**		**$1,198,877**	**$504,688**		**$504,688**	**$1,703,565**		**$1,703,565**
Division of Public Health											
19	Lapsed Salaries	Lapsed salaries from not filling vacant positions.	$301,412		$301,412				$301,412		$301,412
20	Other Operating (2xxx-5xxx)	Immunization Section	$80,000		$80,000				$80,000		$80,000
		Office of Chief Medical Examiner	$84,000		$84,000				$84,000		$84,000
		Oral Health	$125,000		$125,000				$125,000		$125,000
		WCH Section Office	$7,500		$7,500				$7,500		$7,500
		Early Intervention	$162,793		$162,793	$46,240		$46,240	$209,033		$209,033
		Division Wide - Funds Moved From 24430 to 14430 Budget Code In A Reserve Account - No Impact				$65,746		$65,746	$65,746		$65,746
21	Other Receipts	Funding that has accumulated through Medicaid administrative claiming in Local Health Departments and CDSAs which are budgeted in the 2 type code.	$1,871,712		$1,871,712				$1,871,712		$1,871,712
		Children and Youth - Contract amendment for Medically Fragile Children ($70,000) and unobligated contract funds ($43,500).		$113,500	$113,500					$113,500	$113,500
		Early Intervention - Unobligated funding for Albemarle Regional Health Department.		$25,863	$25,863					$25,863	$25,863
		Children's Health - Unobligated contract dollars that were targeted for Nurse Family Partnership Initiative and Unobligated Funds For Children's Special Health Services		$61,875	$61,875		$121,640	$121,640		$183,515	$183,515
		Children's Health - Unobligated Aid-To-County targeted for Child Service Coordination.		$45,756	$45,756					$45,756	$45,756
		Children's Health - Unobligated funding targeted for a School Nurse.		$50,000	$50,000					$50,000	$50,000

SFY 08-09 Budget Reduction Plan
to Divisions* from a 4% to a 6% Reduction Total
(*DMH from a 3% to a 4% Reduction)

	Reduction Item	Description	4% Reduction Plan (3% for DMH)			Additional 2% Reduction (1% for DMH)			Total 6% Reduction Plan (4% for DMH)		
			Admin.	Program	Total	Admin.	Program	Total	Admin.	Program	Total
22	State Level Contracts\Aid to County	Children's Health - Unobligated funding targeted for Evidence Based Parenting Programs.		$171,440	$171,440					$171,440	$171,440
		Unobligated Contracts Targeted At Genetics , Children's Special Health Services, and Child Health					$295,215	$295,215		$295,215	$295,215
		Women's Health - Unobligated funding targeted for Fetal and Infant Mortality Review.		$76,000	$76,000					$76,000	$76,000
		Women's Health - Unobligated funding targeted For Women's Health Training Collaborative.		$51,687	$51,687					$51,687	$51,687
		Women's Health - Unobligated Teen Pregnancy Prevention Initiative (TPPI) Funds.		$50,000	$50,000					$50,000	$50,000
		Chronic Disease - Unobligated funding targeted for Evaluation of Obesity Demonstration Projects.		$75,000	$75,000					$75,000	$75,000
		Chronic Disease - Unobligated Aid-To-County and Contract Money For Cancer Assistance					$42,566	$42,566		$42,566	$42,566
		Oral Health - Unobligated Contracts For Dental Health Services					$134,241	$134,241		$134,241	$134,241
		Epidemiology - Unobligated Aid-To-County and Pharmaceuticals					$215,087	$215,087		$215,087	$215,087
		Minority Health - Unobligated Aid-To-County and Contracts					$172,866	$172,866		$172,866	$172,866
		WIC Food - Unobligated State WIC Food					$50,000	$50,000		$50,000	$50,000
		Early Intervention - Obligated Contract - Reduction In Contract With Albemarle Regional Health Department					$91,039	$91,039		$91,039	$91,039
		Early Intervention - Reduction In Contract With Wake Forest University (For The Winston-Salem Contract CDSA) - Minimal Program Impact Due To Vacancies/Lapsed Salary, Travel Restrictions, and Communications Cost Savings					$100,000	$100,000		$100,000	$100,000
23	Purchase of Medical Care Services	Child Health Services - Reduction In Service Availability For Special Needs Children - Genetic Counseling, Cystic Fibrosis, Speech and Hearing, and assistive Technology					$446,765	$446,765		$446,765	$446,765
		Sickle Cell - Reduction In Service Availability For Sickle Cell For Children and Adults Unobligated Contract					$45,000	$45,000		$45,000	$45,000
		Sickle Cell - Reduction In Service Availability For Adults and Children					$75,000	$75,000		$75,000	$75,000
		Chronic Disease - Reduction In Service Availability For Kidney and Cancer Assistance Program Through Purchase Of Medical Care Services					$1,420,861	$1,420,861		$1,420,861	$1,420,861
24	Immunization - Pharmaceuticals	Reduction In Vaccine Appropriations Will Reduce Available Doses of Varicella (Chicken Pox) Vaccine Statewide. The second varicella (Chicken Pox) vaccine is a recommended but not required dose. The "catch up" dose as it is called, is recommended by Centers for Disease Control and Prevention (CDC). Further, the second dose for children born on or after April 1, 2001 is recommended but not required by the Advisory Committee for Immunization Practices. The second doses are not considered to be part of the Universal Vaccine Program.					$1,233,027	$1,233,027		$1,233,027	$1,233,027
25	Prior Year/Audit Adjustments - 1993	Receipts Earned For 07/08 But Received In 08/09				$131,761		$131,761	$131,761		$131,761
26	Health Department Receipts	Reduction in funds transferred to local health departments for cost settlements associated with Medicaid supported clinical services.		$3,236,000	$3,236,000					$3,236,000	$3,236,000
	Total Reductions - DPH		**$2,632,417**	**$3,957,121**	**$6,589,538**	**$243,747**	**$4,443,307**	**$4,687,054**	**$2,876,164**	**$8,400,428**	**$11,276,592**

SFY 08-09 Budget Reduction Plan
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(*DMH from a 3% to a 4% Reduction)

	Reduction Item	Description	4% Reduction Plan (3% for DMH)			Additional 2% Reduction (1% for DMH)			Total 6% Reduction Plan (4% for DMH)		
			Admin.	Program	Total	Admin.	Program	Total	Admin.	Program	Total
Division of Social Services											
27	Lapsed salaries					$700,000		$700,000	$700,000		$700,000
28	Other Operating (2xxx-5xxx)	Administration - Reduction from misc. operating accounts/funds.	$842,845		$842,845				$842,845		$842,845
		Child Support Enforcement - Reduction from misc. operating accounts/funds.	$631,725		$631,725				$631,725		$631,725
29	Overrealized Receipts	Substitute state share of interest earned on IV-D collections for state dollars.	$1,564,847		$1,564,847	$400,000		$400,000	$1,964,847		$1,964,847
		Child Support Enforcement - Substitute federal Incentive Award for state & federal dollars.	$600,000		$600,000				$600,000		$600,000
30	Other Receipts	NCFAST state dollars swapped with Food and Nutrition Incentive Funds.	$2,911,481		$2,911,481				$2,911,481		$2,911,481
31	NCREACH	Post Secondary Education funding		$500,000	$500,000					$500,000	$500,000
32	Work First State Cash Assistance	Work First State Cash Assistance		$950,000	$950,000		$900,000	$900,000		$1,850,000	$1,850,000
33	State/County Special Assistance	State and County Special Assistance - This amount represents the state share of anticipated reversions.					$1,050,000	$1,050,000		$1,050,000	$1,050,000
34	Child Advocacy Centers	Providing aid to Child Advocacy Centers/ not able to fund all Centers that submitted proposals.		$200,000	$200,000					$200,000	$200,000
35	Family Resource Centers	Swap the state dollars of $200,000 with federal funds.		$200,000	$200,000					$200,000	$200,000
36	State Abortion Payments	Funding has not been used since establishment.		$50,000	$50,000					$50,000	$50,000
	Total Reductions - DSS		**$6,550,898**	**$1,900,000**	**$8,450,898**	**$1,100,000**	**$1,950,000**	**$3,050,000**	**$7,650,898**	**$3,850,000**	**$11,500,898**
Division of Services for the Blind											
37	Lapsed Salaries	Lapsed salaries from not filling vacant positions.	$50,000		$50,000				$50,000		$50,000
38	Other Operating (2xxx-5xxx)	Reduced travel, supplies, etc.; activities will be limited to absolutely necessary functions critical to core mission. Maximize other receipts where possible in lieu of appropriations.	$64,471		$64,471				$64,471		$64,471
39	Overrealized Receipts	Substitute Social Security Administration receipts for state appropriations in the Independent Living Program.	$202,009		$202,009				$202,009		$202,009
40	Indirect Cost Receipts	Revert State share of Indirect Costs.	$56,000		$56,000				$56,000		$56,000
	Total Reductions - DSB		**$372,480**		**$372,480**				**$372,480**		**$372,480**
Division of Services for the Deaf and Hard of Hearing											
41	Lapsed Salaries	Lapsed salaries from not filling vacant positions.	$55,000		$55,000	$35,049		$35,049	$90,049		$90,049
42	Other Operating (2xxx-5xxx)	Eliminating computer and equipment purchase for the FY and targeting a reduced cost of contracted Communication Access Provision (CAP) services in the Field Services Program.	$24,620		$24,620				$24,620		$24,620
43	Overrealized Receipts	Substituted Wireless and Relay Receipts in the Field Services Program.	$29,506		$29,506				$29,506		$29,506
	Total Reductions - DHH		**$109,126**		**$109,126**	**$35,049**		**$35,049**	**$144,175**		**$144,175**

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			Admin.	Program	Total	Admin.	Program	Total	Admin.	Program	Total
Division of Mental Health											
44	Operating	General Administration - Impact is manageable within travel, purchasing and hiring guidelines. $30,000 reduction in nurse training contract with UNC.	$315,813	$30,000	$345,813				$315,813	$30,000	$345,813
		DHHS Human Resources - Reduction in funds appropriated for advertising and recruitment for State facilities.	$67,550		$67,550				$67,550		$67,550
		DMH Hospitals - Reduction available due to hiring and purchasing restrictions.	$4,500,000		$4,500,000				$4,500,000		$4,500,000
		Other DMH Facilities- Reduction in operating funds (prorated amount per facility).	$1,394,780		$1,394,780				$1,394,780		$1,394,780
		Cash balances of Employee Activity Funds maintained by the Facilities	$241,165		$241,165				$241,165		$241,165
		Cash balance of Preceptor Funds maintained by the Facilities	$120,287		$120,287				$120,287		$120,287
		Balance of Facility diversion bed contracts	$2,123,153		$2,123,153				$2,123,153		$2,123,153
		Western and Central Regional Maintenance - Reductions in funding for operations.	$705,246		$705,246				$705,246		$705,246
45	Contracts for Community Based Services	Reduction in consumer services via community based contracts with Easter Seals/UCP, Residential Services, Inc, Autism Society of N.C., Arc of N.C. (guardianship), ABC Winston-Salem (autism) and Mariposa School Cary (autism).		$138,022	$138,022					$138,022	$138,022
46	Local Management Entity (LME) Systems Management	LME SM funding; reduced LME staffing to develop, monitor, manage and oversee public MH, DD and SA services.		$2,580,040	$2,580,040		$2,213,570	$2,213,570		$4,793,610	$4,793,610
47	LME Service Non-Cross Area Service Programs	Reduction in consumer services and delays in bringing up additional services. This reduction is from funds which have actually been allocated to LMEs in SFY 09. Specific details of the reduction can only be determined once each LME submits its reduction plan.		$10,522,912	$10,522,912					$10,522,912	$10,522,912
48	LME Service Cross Area Service Programs (CASP)	Reduction in consumer services and delay in developing additional crisis and substance abuse services with expansion funds. CASP funds are resources which support service programs on a multi-LME, regional or statewide basis.		$717,867	$717,867		$527,000	$527,000		$1,244,867	$1,244,867
49	Local Psychiatric Inpatient Capacity	Local Psychiatric Inpatient Capacity: Should have no impact on the Division's ability to continue to add new beds for SFY 08-09.					$3,500,000	$3,500,000		$3,500,000	$3,500,000
50	Gambling Prevention	Gambling Prevention funding received from Lottery sales					$200,000	$200,000		$200,000	$200,000
51	Hospital Pilot Carryforward	Funds carried forward from SFY 08 to SFY 09 which will not be needed for current year hospital pilot operations.		$799,619	$799,619					$799,619	$799,619
	Total Reductions - DMH		**$9,467,994**	**$14,788,460**	**$24,256,454**		**$6,440,570**	**$6,440,570**	**$9,467,994**	**$21,229,030**	**$30,697,024**
Division of Health Services Regulation											
52	Lapsed Salaries	Lapsed salaries from not filling vacant positions.	$637,319		$637,319				$637,319		$637,319
53	Overrealized Receipts	Fund 1311 - Licensure Fees				$38,000		$38,000	$38,000		$38,000
54	Other Operating (2xxx-5xxx)	Fund 1311 Rent/Lease-Bldg/Office				$466,688		$466,688	$466,688		$466,688
55	Indirect Costs	Historically a portion of these funds have not been available to the division for use.	$238,617		$238,617				$238,617		$238,617
	Total Reductions - DHSR		**$875,936**		**$875,936**	**$504,688**		**$504,688**	**$1,380,624**		**$1,380,624**

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(*DMH from a 3% to a 4% Reduction)

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			Admin.	Program	Total	Admin.	Program	Total	Admin.	Program	Total
Division of Vocational Rehabilitation											
56	Lapsed Salaries	Available Lapsed Salary (July-08 thru December-08)				$300,000		$300,000	$300,000		$300,000
57	Aid & Public Assistance	Division will utilize one time available 100% Federal funds to replace this appropriation reduced.		$3,075,747	$3,075,747		$554,550	$554,550		$3,630,297	$3,630,297
	Total Reductions - DVR			**$3,075,747**	**$3,075,747**	**$300,000**	**$554,550**	**$854,550**	**$300,000**	**$3,630,297**	**$3,930,297**
	DHHS Total Reductions		**$22,548,961**	**$40,274,026**	**$62,822,987**	**$3,010,082**	**$25,166,931**	**$28,177,013**	**$25,559,043**	**$65,440,957**	**$91,000,000**

JOINT APPROPRIATIONS SUBCOMITTEE
ON HEALTH AND HUMAN SERVICES

Tuesday, March 10, 2009
8:30 a.m.
Room 643, Legislative Office Building

The Joint Appropriations Subcommittee on Health and Human Services met on Tuesday, March 10, 2009, in Room 643 for the first meeting of the 2009-2010 session. Senator Douglas Berger, Co-Chair, presided. Senate members present were: Co-Chairs William Purcell and Sen. Douglas Berger, and Senators Forrester and Blake.

Co-Chair Berger introduced the committee members, committee staff, committee clerks, the Sergeants-at-Arms and the Pages.

Co-Chair Berger ceded the floor to Mr. Denise Harb of the General Assembly's Fiscal Research Division. Ms. Harb presented a briefing entitled "Division of Mental Health, Developmental Disabilities and Substance Abuse Services." The presentation covered the Division in General and the Division's Budget. It also covered the current issues and 2008 session actions concerning three areas: System Administration, State-Operated Services and Community Based Services. (See attachment for further details).

Co-Chair Berger then opened the floor for questions from the committee members dealing with the presentation.

The meeting was adjourned by Co-Chair Burger at 9:32 a.m.

Senator Douglas Berger, Co-Chair

Brice Bratcher, Committee Ass't.

JOINT APPROPRIATIONS SUBCOMMITTEE FOR HEALTH AND HUMAN SERVICES

AGENDA

March 10, 2009
Legislative Office Building - Room 643

Senate
Sen. William Purcell
Sen. Doug Berger
Sen. Charlie Dannelly
Sen. Martin Nesbitt, Jr.
Sen. Harris Blake
Sen. Debbie Clary
Sen. James Forrester

House
Rep. Beverly Earle
Rep. Verla Insko
Rep. Bob England
Rep. Jeffrey Barnhart
Rep. Jean Farmer-Butterfield
Rep. William Brisson
Rep. Justin Burr
Rep. Pearl Burris-Floyd
Rep. Nelson Dollar
Rep. Wil Neumann
Rep. Randy Stewart

Committee Chairs	Senator William Purcell Senator Doug Berger Representative Beverly Earle Representative Verla Insko Representative Bob England
Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	Ms. Denise Harb Fiscal Research Division
Closing Remarks	Co-Chairs

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

Joint Health and Human Services Appropriations Subcommittees

March 10, 2009

FISCAL RESEARCH DIVISION
A Staff Agency of the North Carolina General Assembly

Agenda

- Division Overview and Budget
- System Administration: Current Issues and 2008 Session Actions
- State-Operated Services: Current Issues and 2008 Session Actions
- Community-Based Services: Current Issues and 2008 Session Actions

Division Overview

- 3rd largest DHHS budget, behind Medical Assistance and Social Svcs.
- 2nd largest State appropriation in DHHS, behind Medical Assistance.
- 64% of DHHS employees work for DMHDDSAS.

Division (FY08-09 certified)	State Appropriation	%	Total Expenditures	%	FTEs	%
Aging and Adult Svcs	38,245,179	0.8%	87,451,843	0.5%	57.00	0.3%
Central Management	52,782,212	1.1%	148,868,146	0.9%	718.25	3.8%
Child Development	304,881,785	6.2%	638,387,370	3.8%	297.75	1.6%
Disability Divisions	94,582,405	1.9%	209,029,108	1.3%	2,031.00	10.8%
Health Choice	69,448,019	1.4%	270,549,259	1.6%	1.00	0.0%
Health Service Reg.	21,478,256	0.4%	54,868,813	0.3%	505.00	2.7%
Medical Assistance	3,179,171,463	64.7%	11,740,011,999	70.6%	392.25	2.1%
MHDDSAS	742,987,556	15.1%	1,262,464,793	7.6%	12,019.08	63.7%
Public Health	188,968,247	3.8%	716,050,781	4.3%	2,060.97	10.9%
Social Services	222,371,820	4.5%	1,507,319,558	9.1%	772.00	4.1%
TOTAL	$ 4,914,916,942	100%	$16,635,001,670	100%	18,854	100%

Division Overview: Organization

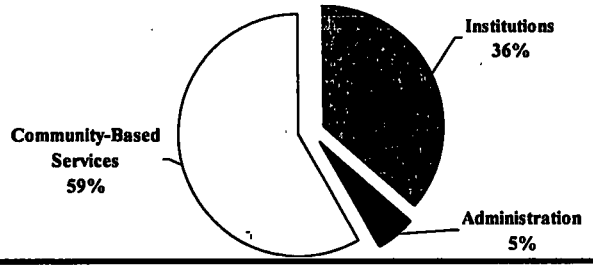
- Previously, organized by service area; separate sections for Mental Health, DD, and Substance Abuse
- Currently organized into cross-area sections:
  - State-Operated Services
  - Community Policy
  - Resource and Regulatory Management, and Personnel
  - Operations Support
  - Advocacy and Consumer Services
- Secretary Cansler planning organizational changes

Division Overview: Budget

Budget Summary	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Certified*
Requirements	1,311,200,118	1,364,580,070	1,476,987,761	1,262,464,793
Revenues	699,556,370	692,871,015	760,524,864	519,477,237
Appropriations	$611,643,748	$671,709,055	$716,462,897	$742,987,556
Positions	11,591	11,653	11,756	12,019

* FY 2008-09 Requirements & Revenues do not include federal DSH funds

FY 2008-09 State Appropriation



System Administration

System Administration Issues

- Responsibility for the system is diffuse
- LMEs struggle to find stability and identity and to successfully carry out responsibilities

Administration Issues: Diffuse Responsibility

- Multiple parties play a role
  - DMHDDSAS
  - Local Management Entities (LMEs)
  - Private service providers
  - Division of Medical Assistance
- System relies on partnerships and cooperation
  - No one is completely in charge
  - Can't hold any one entity responsible for all problems

Administration Issues: Diffuse Responsibility

- LMEs oversee many, not all, private services
- Substantial Medicaid expenditures for MH/DD/SA services are not reflected in DMHDDSAS's budget.
- In addition to DMHDDSAS's budget, Division of Medical Asst. spending in FY 2007-08 included:
  - $244 m: Private ICFs-MR
  - $233 m: State ICFs-MR (i.e., Developmental Centers)
  - $428 m: CAP-MR/DD

System Administration Issues: LMEs

- 24 LMEs Statewide (reform goal: 20 LMEs)
  - LMEs have a % of administrative funds withheld if not representing 5+ counties or 200,000+ citizens.
  - LMEs continue to morph as the system settles
    - At least one possible LME "break-up" on horizon; the member counties may join other existing LMEs. Could yield 23 LMEs.
- Manage State and non-Medicaid federal dollars
  - Most LMEs formerly provided direct services
  - LME management skills vary
    - DMH managing finances for 2 LMEs. Takes valuable DMH staff resources away from broader issues.

System Administration Issues: LMEs

- DHHS has undermined LMEs by removing statutorily-defined "core functions"
  - Outside vendor (Value Options) manages usage of Medicaid-funded services. 2008 legislation began to reverse this decision.
- State service dollar allocations to LMEs vary, even on a per-capita basis
- Individual LMEs pilot successful ideas that are never scaled up or shared across State.

2008 Session: System Administration

- Required DHHS to return "service authorization" function (currently performed by Value Options) to some LMEs.
- Prohibited DHHS from forcing LME mergers.

State-Operated Services

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State-Operated Services Issues

- Quality-of-care problems in psychiatric hospitals
- Unnecessary usage of State hospitals

- Both have financial impact

State-Operated Service Issues: Hospitals

- The State Operates 14 Institutions
  - Three Psychiatric Hospitals
    - Broughton
    - Central (considered "one hospital with two campuses")
    - Cherry
  - Three Developmental Centers
  - Three Alcohol and Drug Abuse Treatment Centers
  - Three Nursing Care Facilities
  - Two Residential Facilities for Children

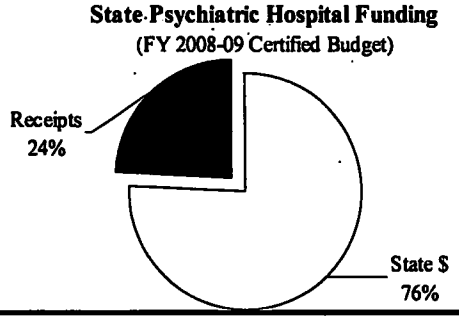
State-Operated Services: Hospital Quality

- Centers for Medicare & Medicaid Services (CMS) Certification: Necessary to bill Medicaid and Medicare
- Joint Commission Accreditation: Necessary to bill private insurance
- Both are quality indicators & affect public perception

	CMS Certification	**JCAHO Accreditation**
Broughton	[De-certified Aug. 07 to June 08]	**No:** DHHS plans to re-apply in February
Central	**Yes:** But inspectors visited last week with concerns	[Each campus accredited separately]
Cherry	**No**	**Yes**

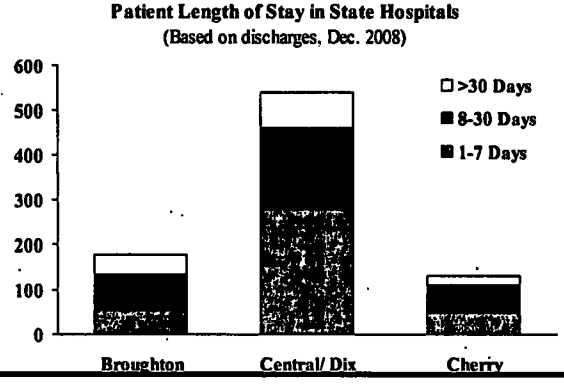
Hospital Quality: Financial Impact

- Lost Certification costs the State
  - Broughton de-certification cost $12.5m in lost Medicaid receipts
  - Even for certified psychiatric hospitals, Medicaid provides limited funding



State-Operated Services: Hospital Usage

- State hospitals intended for long-term patients who cannot be safely served in community
- Significant short-term admissions continue



2008 Session: State-Operated Services

- Delayed Central Regional Hospital opening
- Delayed moving patients from Dix Hospital
- Authorized temporary 60-bed unit on the Dix campus, partially funded by Wake County
- Required DHHS to help LMEs transition consumers out of developmental disability centers

Community-Based Services

Community-Based Services Issues

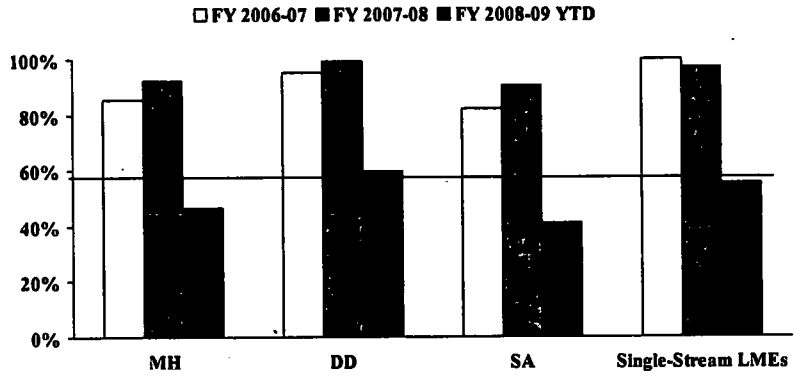
- Private provider network fragile and patchy
- LMEs struggle to spend service dollars on private services
- Community Support spending has slowed
- CAP-MR/DD Medicaid waiver program

Community Svc. Issues: Private Providers

- Private provider network is fragile and patchy
- Care quality and access vary substantially across State
- Rural areas still lack private service providers, particularly psychiatrists
- Lack of community services contributes to inappropriate hospital usage
- Services not uniformly available Statewide
- Providers hurt by economic crisis

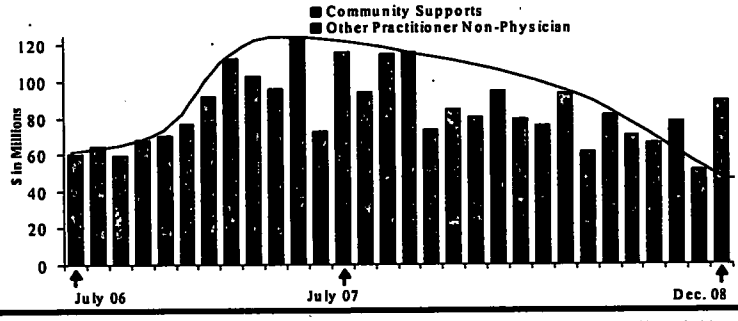
Community Svc. Issues: Spending Service $

- LMEs underspend State service dollars despite unmet need



Community-Based Services
Community Support Services

- Replaced other services in March 2006; spending far exceeded expected costs
- General Assembly acted in '07 & '08 to slow spending



Community-Based Services: CAP-MR/DD Medicaid Waiver

- Medicaid reimburses for care in Intermediate Care Facility for Mentally Retarded (ICF-MR)
- Care for DD consumers has favored ICFs-MR (State Developmental Centers and private ICFs-MR)
- CAP-MR/DD waiver program changing that preference by funding home-based care
- Nov. 08: DHHS began tiered CAP-MR/DD waiver program

2008 Session: Community-Based Services

- Directed DHHS to study service dollars under-spending
- Required DHHS to replace Community Support "one rate for all providers" with tiered rates
- Allowed DHHS to require national accreditation for some services
- Created temporary appeals processes for providers and consumers
- Required DHHS to help LMEs ensure that only qualified providers are authorized to provide services

2008 Session: Community-Based Services

- Budget includes items funded for a partial year that would need full funding to continue:
  - CAP-MR/DD Tier 1 Slots:
    - Full-year cost is $10m; funded $6.7 m
    - These funds frozen by Gov. Perdue due to budget shortfall
  - Participation in Money Follows the Person Grant, which helps transition consumers into the community
    - Funded 2 FTEs; cut budget due to associated service savings
    - FY 2009-10 cost was estimated at $100,000

2008 Session: Community-Based Services

- Budget includes items funded for a partial year that would need full funding to continue:
  - Mobil Crisis: Cost $6.8 m; funded $5.8 m; balance: $1 m
  - Local Inpatient Capacity: Cost $12.6 m; funded $8.1 m; balance $4.5 m
  - START model: Cost $3.4 m; funded $1.9 m; balance $1.5 m
  - DD Respite: Cost $2.3 m; funded $1.1 m; balance $1.2 m
- Costs are based on last year's expansion requests; the Division may have updated its cost estimates

MINUTES

HEALTH AND HUMAN SERVICES
APPROPRIATIONS SUBCOMMITTEE

WEDNESDAY MARCH 11, 2009
8:30AM
ROOM 643 LEGISLATIVE OFFICE BUILDING

The Joint Appropriations Subcommittee on Health and Human Services met Wednesday March 11, 2009 at 8:30 am in Room 643 of the Legislative Office Building. Representative Verla Insko presided. Rep. Insko called the meeting to order and introduced the Sergeant at Arms Staff and pages who would be assisting with the meeting.

The following members were present; Senator's William Purcell, Doug Berger, Martin Nesbitt, Blake Harris, and Debbie Clary and Representative's Beverly Earle, Bob England, Jean Farmer-Butterfield, William Brisson, and Wil Neumann. Staff members from the Fiscal Research Division present were Melanie Bush, Lee Dixon, Lisa Hollowell, and Bryce Ball. A hard copy of the roll denoting members present is attached to the minutes (Attachment A) along with a copy of the visitor's registration and agenda sheet (Attachments B and C)

Rep. Insko Rep. Insko recognized Melanie Bush to explain the information giving on Medicaid Overview (Attachment D).

Rep. Insko recognized members from the Committee for questions.

Rep. Insko recognized Tara Larson of DHHS, Mike James of the Association of Community Pharmacy, Dr. Robert Rich of the North Carolina Academy of Family Physician, and Allen Feezor of DHHS for follow-up answers.

Following the discussion Rep. Insko adjourned the meeting at 9:40am. The complete presentation is attached to these minutes.

Representative Verla Insko
Chairman

Gina Insko
Committee Assistant

ATTENDANCE

APPROPRIATIONS SUBCOMMITTEE ON HEALTH AND HUMAN SERVICES

(Name of Committee)

DATES	3-11-09	3-19-09	4-7-09	4-16-09	4-28-09	5-5-09	5-19-09	5-21-09	6-24-09						
REP. VERLA INSKO - CHAIR	X	X	X	X	X	X	X	X	X						
REP. BEVERLY EARLE - CHAIR	X		X	X	X	X	X	X							
REP. BOB ENGLAND - CHAIR	X		X	X	X	X	X	X	X						
REP. JEFF BARNHART VICE-CHAIR	X			X		X	X	X							
REP. JEAN FARMER-BUTTERFIELD VICE-CHAIR	X	X	X	X	X	X	X	X							
REP. WILLIAM BRISSON	X	X	X	X	X	X		X							
REP. JUSTIN BURR		X	X		X		X								
REP. PEARL BURRIS-FLOYD		X	X	X	X	X	X		X						
REP. NELSON DOLLAR		X			X	X	X	X							
REP. WIL NEUMANN	X	X		X	X	X	X	X	X						
REP. RANDY STEWART		X	X		X	X	X	X	X						
Sen. William Purcell	X	X													
Sen. Doug Berger	X	X													
Sen. Martin Nesbitt	X	X													
Sen. Charles Dannelly															
Sen. Blake Harris	X	X													
Sen. Debbie Clary	X	X													
Sen. James Forrester		X													
STAFF															
Melanie Bush	X	X		X	X	X	X	X							
Lee Dixon	X	X		X	X	X	X	X							
Lisa Hollowell	X	X		X	X	X	X	X							
Bruce Ball	X	X		X	X	X	X	X							

House Pages

Name Of Committee: H APP Health + Human Services Date: 3/11/09

1. Name: Adonna Rowland
   County: Durham
   Sponsor: Larry Hall
2. Name: Nefertete King
   County: Duplin
   Sponsor: Hackney
3. Name: David Allen
   County: Wake
   Sponsor: Mr. Malone
4. Name: Victoria h Brunson
   County: Guilford
   Sponsor: Phil Berger
5. Name: LeAnnie Rivers
   County: Duplin
   Sponsor: Sen Charles Albertson

House Sgt-At-Arms

1. Name: Trey Raley SENATE
2. Name: Tosh Wilder Richard TELFAIR
3. Name: Martha Gadison Charles HARDER
4. Name:

VISITOR REGISTRATION SHEET

Appr Health + Human Services 3/11/09

Name of Committee Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Kristi Huff	NCHCFA
Michelle B Brooks	University Health Systems of Eastern Carolina
ANN LOVE	DVRE
Gail Boswell	MH Consumer/Family Member NC MHCO P.O. Box 7416, Wilson, NC 27895
Mattie L McConnell	Carolinas HealthCare System
Jud Wales	East Seal UCP
Jessica Mead	Sen. Berger – intern
Lisa Wannamaker	DHHS - MH/DD/SA
Joni Allred	BEGINNINGS

VISITOR REGISTRATION SHEET

Approp Health & Human Services — 3/11/09

Name of Committee — Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY
MR. MANN	CBN
John McMillan	NFIS
David Boag	MWC
Tom Cruise	Scientology
John Bowlesby	AstraZeneca
Patrice Roesler	NCACC
D Wilkerson	NCAFP
Christopher Snyder	NCAFP

VISITOR REGISTRATION SHEET

HEALTH AND HUMAN SERVICES — MARCH 11, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Ben Carlton	Sen. Clary Intern
Sheyna Altschuler	AARP
Kevin Leonard	DCSR
Drew Carlton	mfg.
Paula Cox Fishman	Volunteer advocate for DD + MI
Lavina D. Fisher	" " for MI & DD.
James Shannon Marsh	Judge Constantine
Aneesha Bretto	Student, UNC-CH
Shari Levin	Web Editorial Media (NCMS)
Sabina Lee	Duke Medical Center
Eric S. Bindewald, MD, FACP	Park Ridge Medical Associates, Hendersonville VA Medical Center, Asheville

VISITOR REGISTRATION SHEET

HEALTH AND HUMAN SERVICES — MARCH 11, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Grey Gregs	NCAFP
Brian Forrest M.D.	NCAFP
Erin McLaughlin	MHANC
Annaliese Dolph	DRNC
Sally Cameron	NC Psychological Assoc
Robin Huffman	NC Psychiatric Ass / Coalition
TRACY GOLVARD	AHNE
John Tate	mHA-NC
DAVE SPLOAT	Baptist Myers
Amy McConkey	SmithAnderson
Thomas Hardaway	PHRMA

VISITOR REGISTRATION SHEET

HEALTH AND HUMAN SERVICES — MARCH 11, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Kelley Alexander	NAMI, NC
[illegible]	TCPhs
Jill Hinnant	
Joe Lanier	520 Wilkins
Zeb Alley	NMRS
Sara Moore	Gaston Co. NCASA / NCPAPA
Lynn Hamam	Gaston Co.
Amy Braun	Gaston Co
Rebecca Bellis	Gaston Co.
Wenai Struckey	Gaston Co.
Kimberly Parrish	Gaston Co.

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HEALTH AND HUMAN SERVICES — MARCH 11, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Andy Peoples	NCPAPA Buncombe County
Hugh Tilson	NCHA
Mark Weems	MEDCO
Bert Fisher	Community Partnerships, Inc.
Dave Marley	MARLEY DRUG
Anne Ross	NC State Health Plan
Tom D'Andrea	DHHS - DMA
Mac Bordy	NC Foot + Ankle

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HEALTH AND HUMAN SERVICES — MARCH 11, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
DAVID BARNES	Payne Gaskill
Terry Hadley	Fed Ex
Maria O'Meara	Carolina HealthCare
ANN LAKE	DUKE
Barbara Canales	Bayer
John Boardick	AZ
Kristi Huff	NCHCFA
Michelle Brooks	University Health Systems of Eastern Carolina
Fred Walsh	Eastern Seals UCP
Patricia Romero	NCACC
Bob Oldrick	NCPC

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HEALTH AND HUMAN SERVICES — MARCH 11, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Dana Sykes	Smith Ades
Chip Brown	NCMS
M.C. MANN	CNC
Henry Jones	Attorney Raleigh
Rob Thompson	Covenant
LORI ANN HARRIS	LAHA
Julia Leggett	The Arc of NC
Bill Rustin	AARP
David Bray	MWC

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HEALTH AND HUMAN SERVICES — MARCH 11, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Michael Abrams MD	American College of Physicians - NC
Ellen Blair MD	Urban Ministries Open Door Clinic
Gary Greenberg MD	Am Coll Physicians Urban Ministries Wake Co
Scott Joy MD	Duke Primary Care 3024 Pickett Rd Durham, NC 27705
Daniel Baum	K+L Gates
[signature]	NCDS & NCPTA
[signature] Swift	NC CCA
Patrick Buffkin	NMRSS
Andy Ellen	NCLM
Lu-Ann Penny	NCPA
M. Tez Jones	NCR

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HEALTH AND HUMAN SERVICES — MARCH 11, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Ted Mayhew	CFPM's Assoc
Pam Carpenter	Self
Gina Ray	NMRS
Chip Killian	Nelson Mullins
Emily Hawkins	CFPM
Sara Schmidt	Action for Children NC
Linda McGee	State Health Plan
Tracy Stephenson	State Health Plan
Jack Walker	State Health Plan

ATTACHMENT C

JOINT APPROPRIATIONS SUBCOMMITTEE FOR HEALTH AND HUMAN SERVICES

AGENDA

March 11, 2009
Legislative Office Building - Room 643

Senate
Sen. William Purcell
Sen. Doug Berger
Sen. Charlie Dannelly
Sen. Martin Nesbitt, Jr.
Sen. Harris Blake
Sen. Debbie Clary
Sen. James Forrester

House
Rep. Beverly Earle
Rep. Verla Insko
Rep. Bob England
Rep. Jeffrey Barnhart
Rep. Jean Farmer-Butterfield
Rep. William Brisson
Rep. Justin Burr
Rep. Pearl Burris-Floyd
Rep. Nelson Dollar
Rep. Wil Neumann
Rep. Randy Stewart

Chairs

Senator William Purcell
Senator Doug Berger

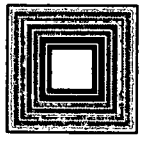
Representative Beverly Earle
Representative Verla Insko
Representative Bob England

Overview of Medicaid	Ms. Melanie Bush, Fiscal Research Division
Closing Remarks	Chairs

Medicaid Overview

MELANIE BUSH
FISCAL RESEARCH DIVISION

March 11, 2009



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A Staff Agency of the North Carolina General Assembly

ATTACHMENT D

Overview

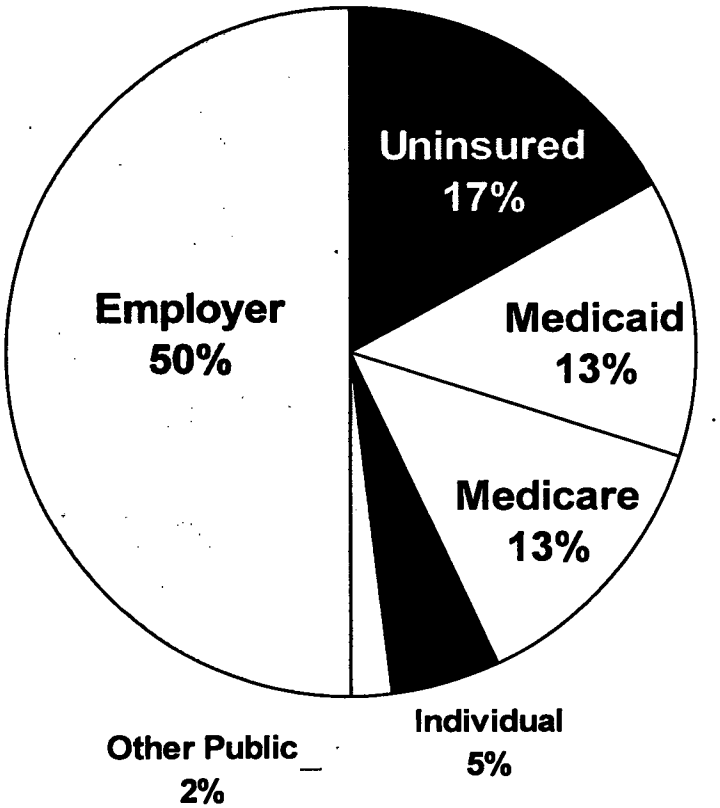
- Brief program overview
- Budget impact
- Economic stimulus
- Cost Containment Options

What is Medicaid?

- Health insurance for low-income North Carolinians
- Long-term care for the elderly
- Services for people with disabilities

What is Medicaid?

NC INSURANCE STATUS, 2006-07



Source: Kaiser Family Foundation, statehealthfacts.org

What is Medicaid?

Medicaid

Who:

- Low-income families, children, seniors, and people with disabilities

How:

- Federal, State, and county funds
- Eligibility determined by income, assets, age, and disability

Medicare

Who:

- People over 65 and people with disabilities who receive SSDI

How:

- Financed by employee contributions to SS Trust Fund

What is Medicaid?

- Within broad federal guidelines, each state:

1. Establishes its own eligibility standards
2. Determines the covered services
3. Sets the payment rate for services
4. Administers its own program

Who Receives Medicaid?

MANDATORY

- Aged, blind, disabled on Supplemental Security Income (SSI)
- Certain Medicare recipients
- Low-income pregnant women and infants ≤ 133% poverty
- Low-income children through age 18
- Low-income families with children who meet 1996 income restrictions
- Foster and adoptive children

Who Receives Medicaid?

OPTIONAL

- Aged, blind, disabled not on SSI ≤ 100% poverty
- Medically needy
- Pregnant women ≤ 185% poverty
- Children 0 - 5 between ≤ 200% poverty
- Children ages 19 and 20 ≤ 100% poverty
- Certain foster and adoptive children not otherwise eligible
- Women in the NC Breast and Cervical Cancer Control Program
- Family planning for adults up to 185% poverty

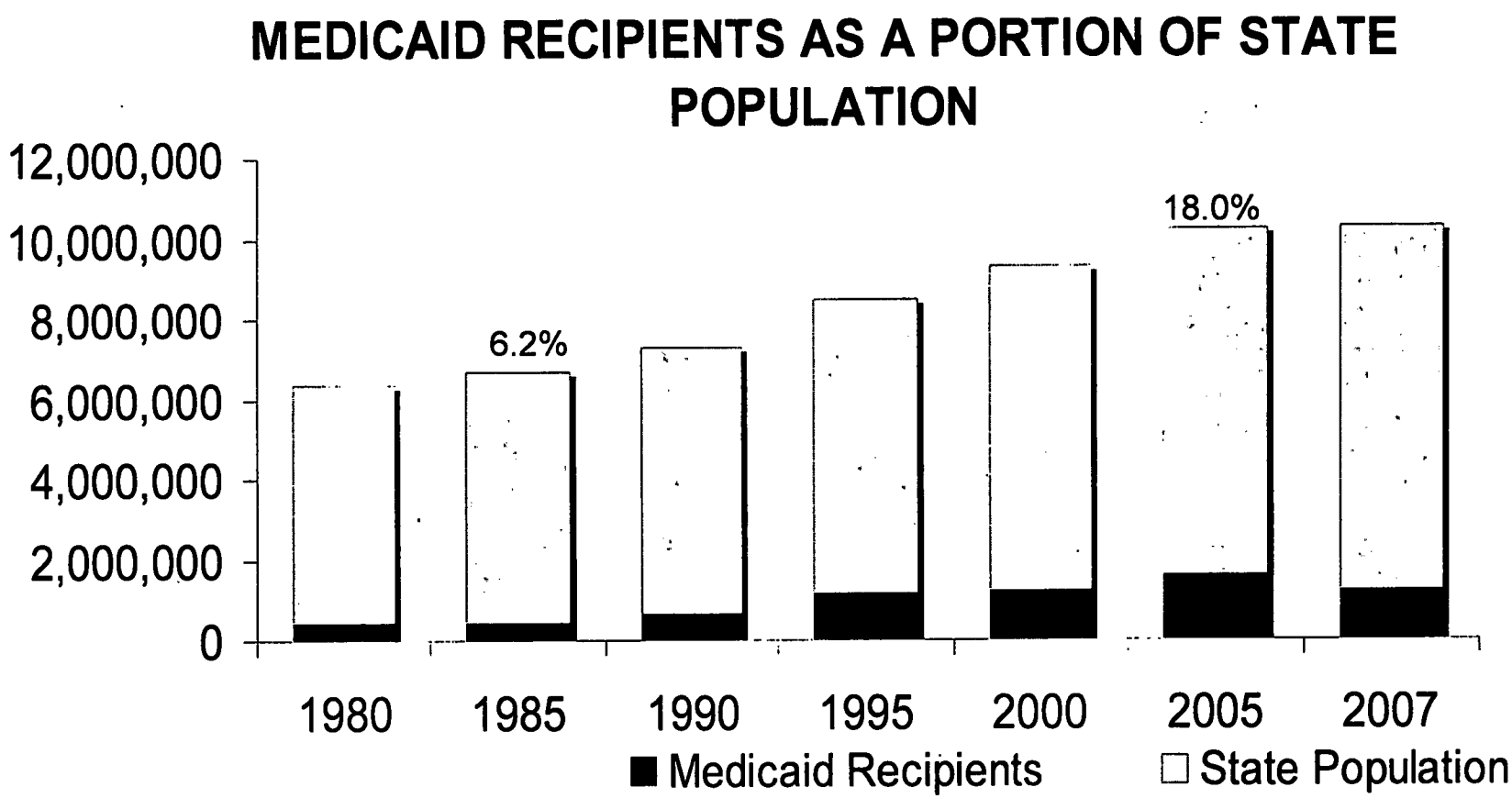
Who Receives Medicaid?

INCOME LIMITS

Seniors, 65+	**100% Poverty**	**Low-Income Parents**	**45% of Poverty**
	1 - $ 851/month		2 - $362/month
	2 -$1,141/month		4 - $594/month
Blind/Disabled	**100% of Poverty**	**Children < 6**	**200% of Poverty**
	1 - $ 851/month		2 - $2,334/month
	2 -$1,141/month		4 - $3,534/month
Pregnant women	**185% of Poverty**	**Children 6 – 18**	**100% of Poverty**
	1 - $1,575/month		2 - $1,141/month
	2 - $2,111/month		4 - $3,184/month

Source: DHHS, DMA Medicaid Annual Report, SFY 2007

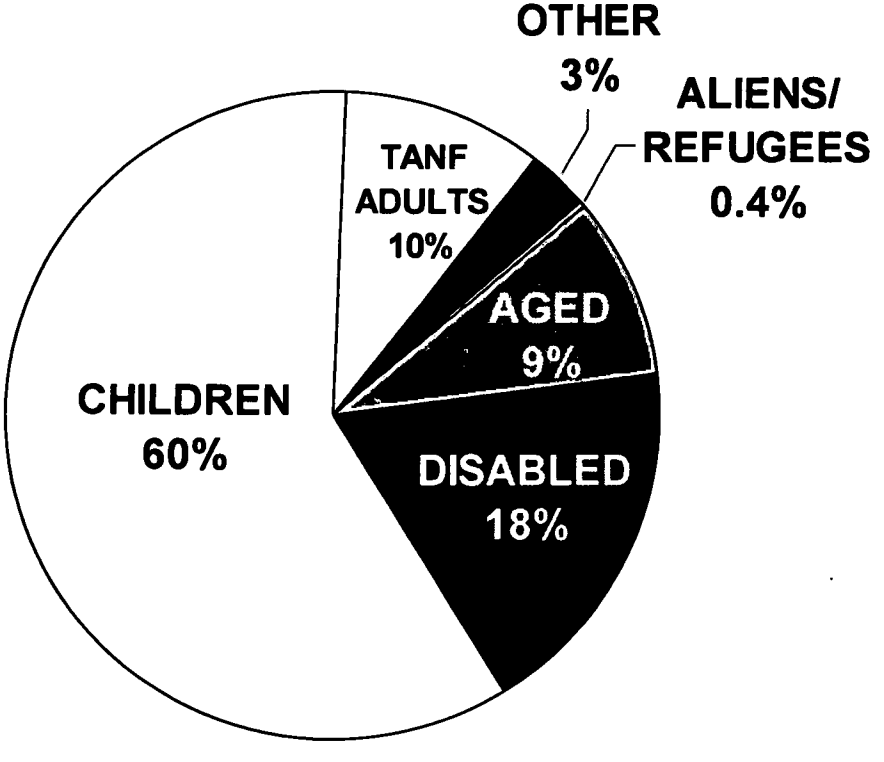
Who Receives Medicaid?



Source: NC State Data Center, OSBM; DHHS, DMA

Who Receives Medicaid?

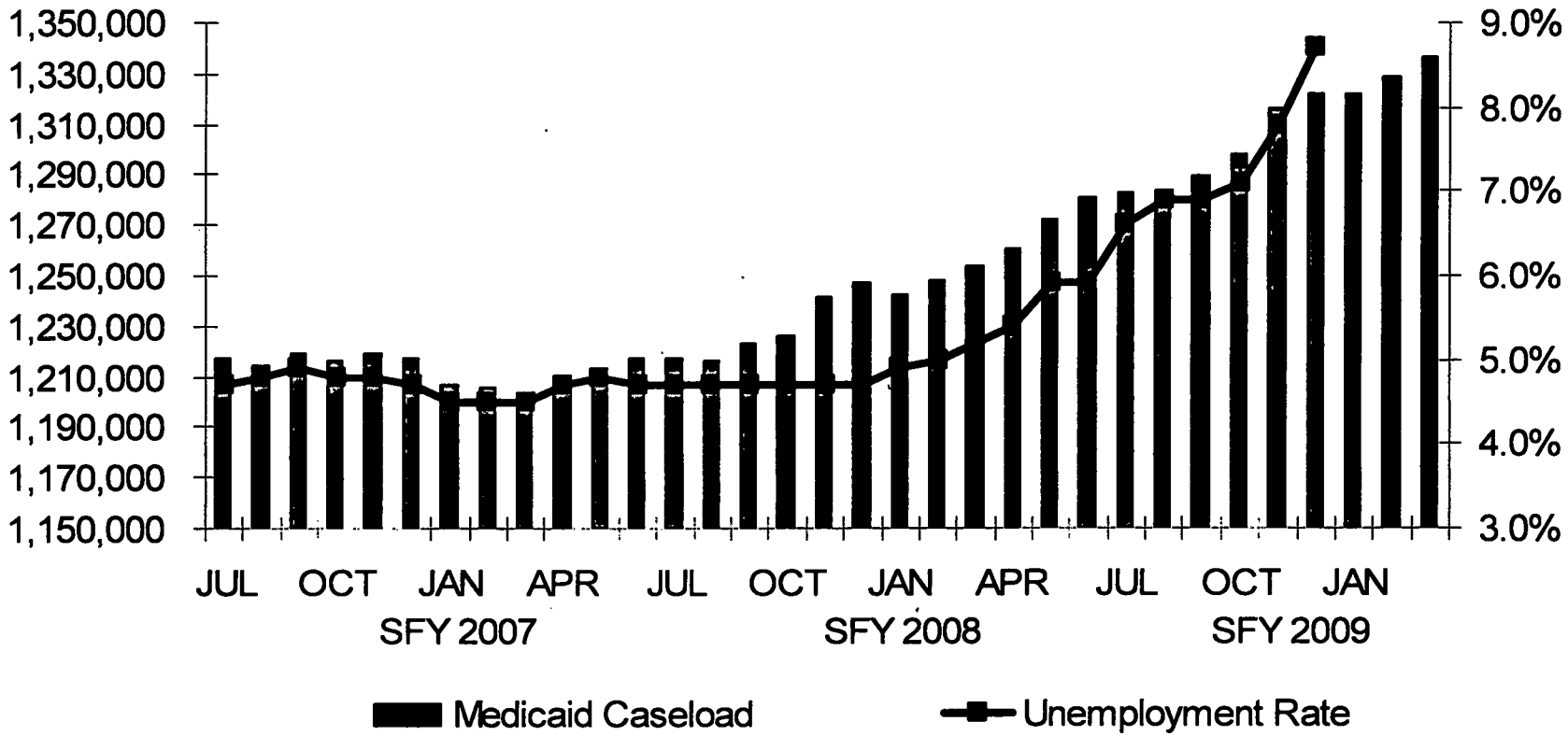
FY 2008 NC MEDICAID CASELOAD:
1.25 MILLION



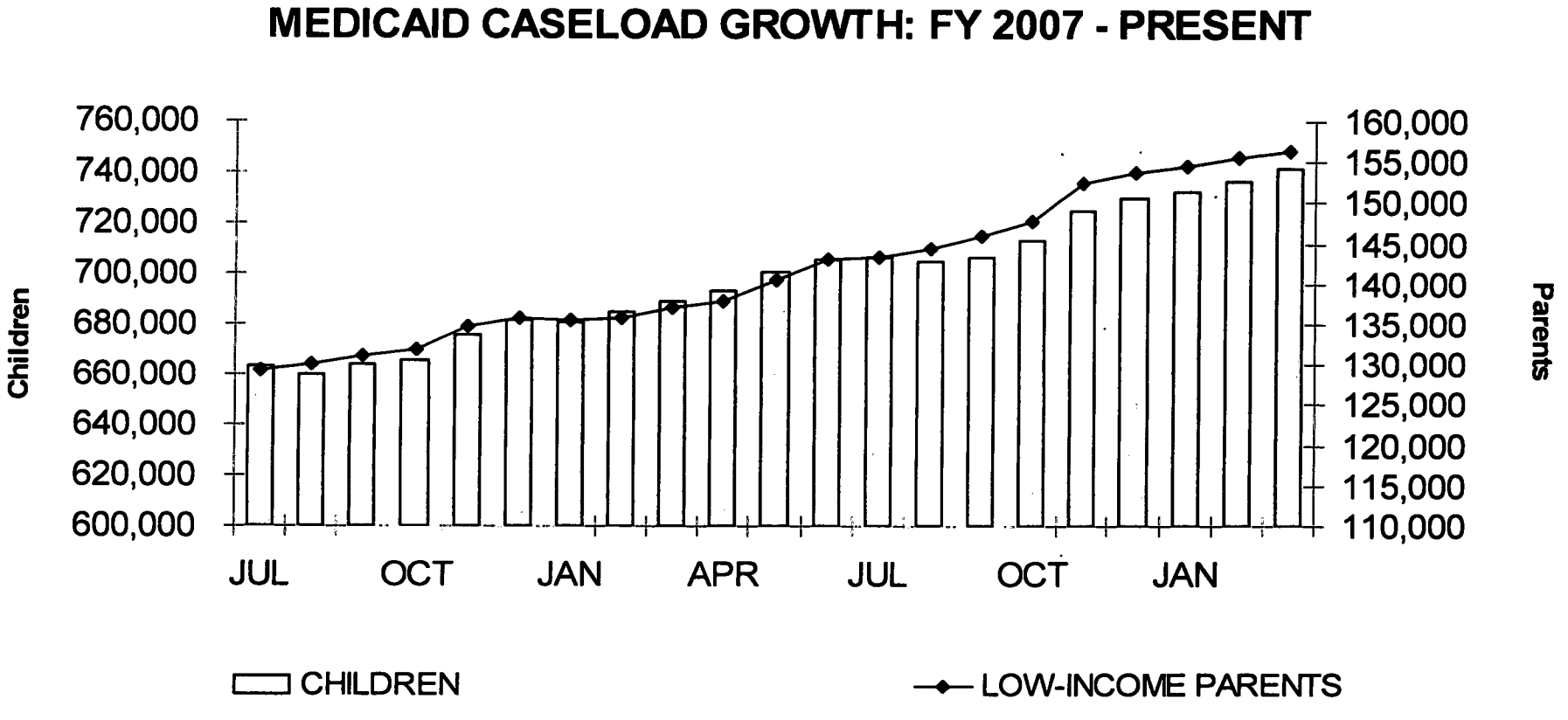
Source: DHHS, DMA Program Expenditure Report, June 2008

Who Receives Medicaid?

MEDICAID CASELOAD AND UNEMPLOYMENT:
FY 2007 - PRESENT



Who Receives Medicaid?



Source: DHHS, DMA Monthly Eligibles Report

What is Paid by Medicaid?

MANDATORY SERVICES

- Ambulance
- Durable Medical Equipment
- Family Planning
- Federally Qualified Health Centers (FQHCs)
- Health Check (EPSDT)
- Hearing Aids (children)
- Home Health
- Hospital Inpatient/Outpatient
- Nurse Midwife/Nurse Practitioner
- Nursing Facility
- Labs and X-rays
- Physician
- Psychiatric Residential Treatment and Residential Services
- Routine eye exams and visual aids (children)

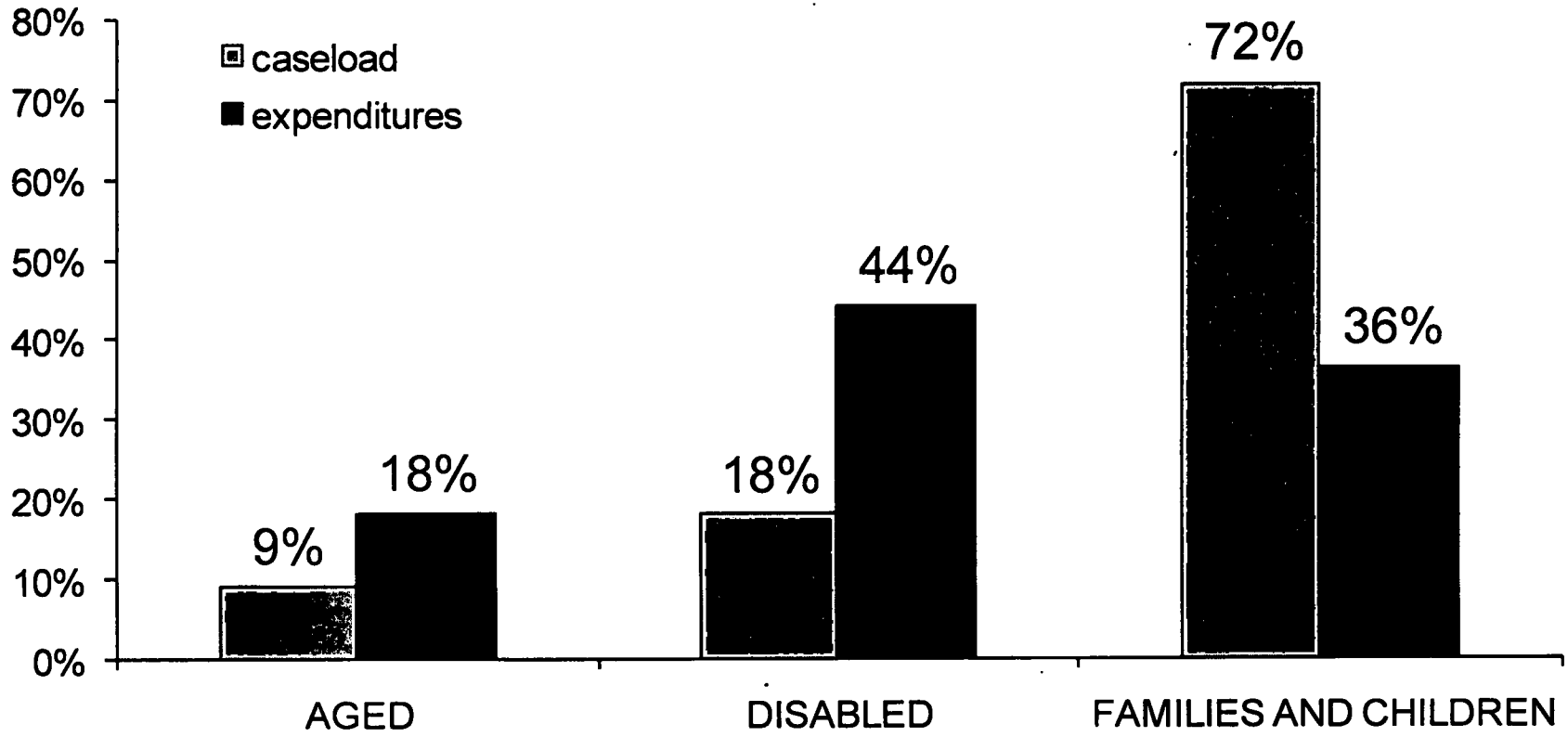
What is Paid by Medicaid?

OPTIONAL SERVICES

- Case management
- Chiropractor
- Community Alternatives Programs (CAP)
- Dental and dentures
- Eye care
- Home infusion therapy
- Hospice
- Intermediate care facilities for the mentally retarded (ICF-MRs)
- Mental health services
- Orthotics and prosthetics
- Personal care services
- Physical, occupational, and speech therapies
- Podiatrist
- Prescription drugs
- Preventive care
- Private duty nursing
- Rehabilitative services
- Transportation

What is Paid by Medicaid?

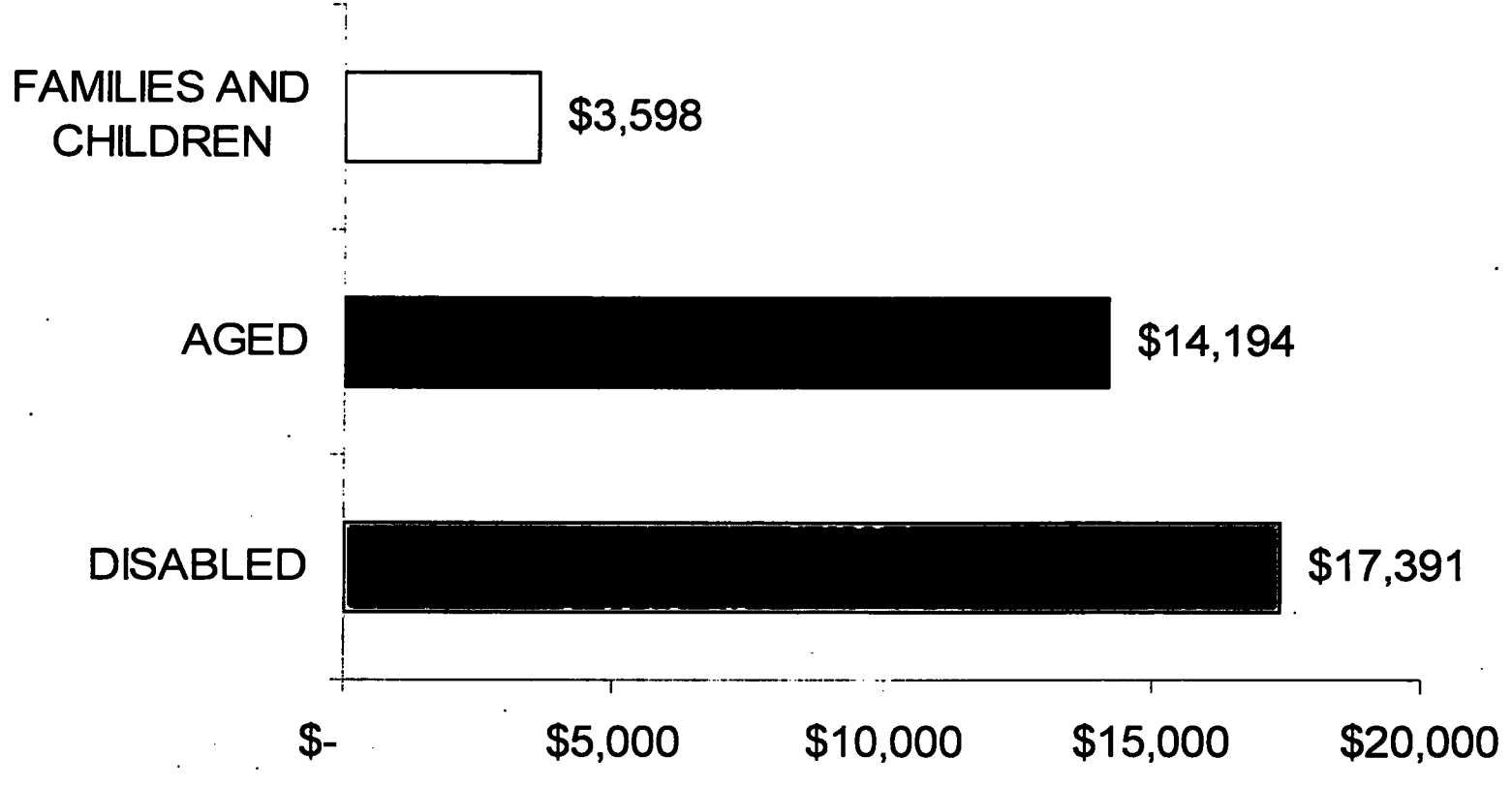
FY 2008 MEDICAID CASELOAD AND EXPENDITURES



Source: DHHS, DMA Program Expenditure Report, June 2008

What is Paid by Medicaid?

FY 2008 AVERAGE PAID PER RECIPIENT



Source: DHHS, DMA Program Expenditure Report, June 2008

What is Paid by Medicaid?

TOP 15 MOST EXPENSIVE SERVICES	FY 2008	% TOTAL EXPENDITURES
1 HOSPITAL INPATIENT	$ 1,013,427,058	11.3%
2 PRACTITIONER-NON PHYSICIAN	999,990,508	11.1%
3 PRESCRIBED DRUGS	922,219,826	10.2%
4 PHYSICIAN	853,358,974	9.5%
5 NURSING FACILITIES	831,829,853	9.2%
6 HOSPITAL OUTPATIENT	396,011,598	4.4%
7 CAP-MENTALLY RETARDED	376,114,378	4.2%
8 PERSONAL CARE	299,741,176	3.3%
9 CAP-DISABLED	256,895,512	2.9%
10 DENTAL	239,997,938	2.7%
11 ICF-MRC, STATE-OWNED	225,820,988	2.5%
12 PART B BUY-IN MEDICARE DUAL	218,833,357	2.4%
13 ICF-MR, NON STATE-OWNED	216,515,478	2.4%
14 EMERGENCY ROOM	214,508,708	2.4%
15 HIGH RISK INTERVENTION	143,758,944	1.6%
TOTAL	$ 7,209,024,296	80.1%

Source: DHHS, DMA Top 15 Categories of Service; BD 701

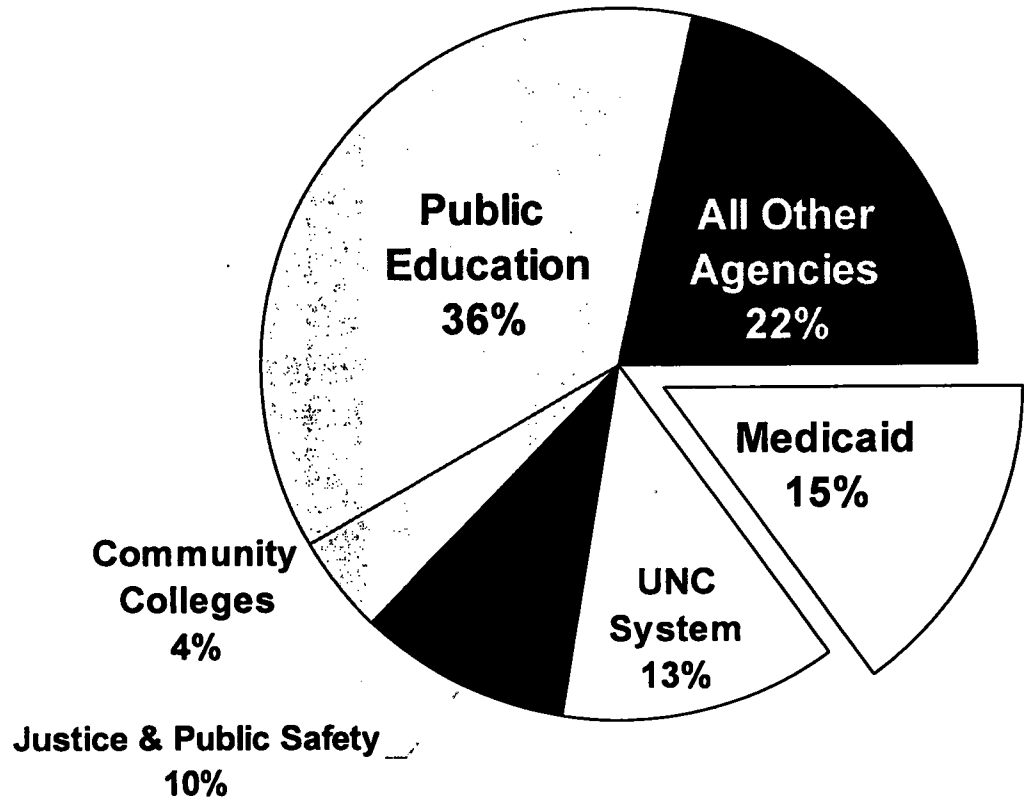
Budget Impact

FEDERAL ENTITLEMENT PROGRAM

- If eligible, cannot legally be denied service
- If State must pay for Medicaid regardless of revenue or appropriations shortfalls

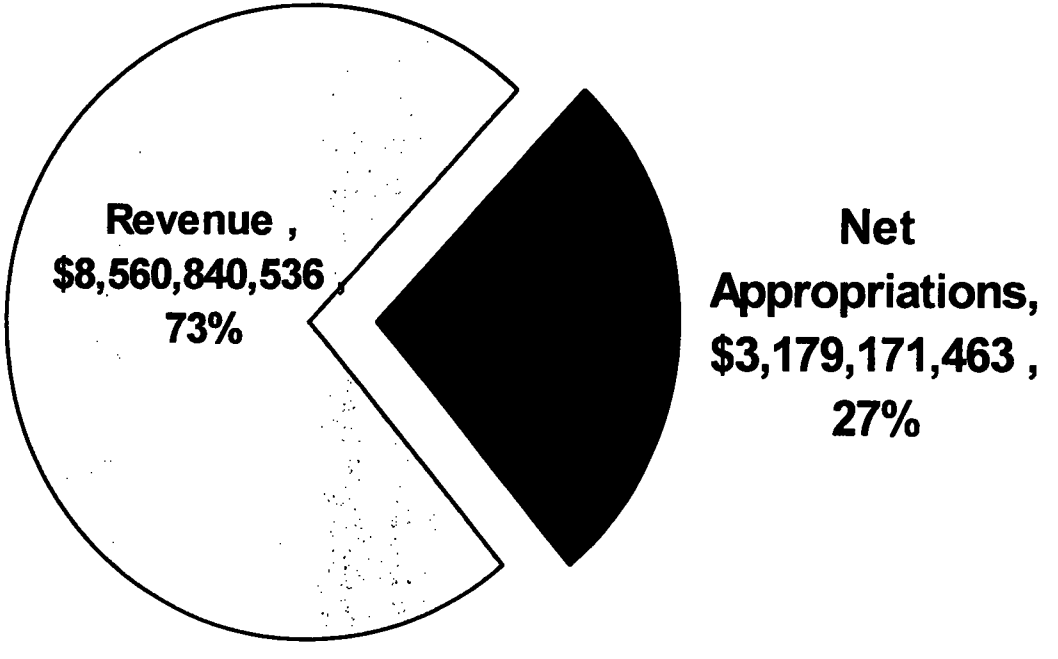
Budget Impact

FY 2008-09 NC NET GENERAL FUND APPROPRIATION
$21.4 billion



Budget Impact

FY 2008-09 MEDICAID CERTIFIED BUDGET
$11,740,011,999



Budget Impact

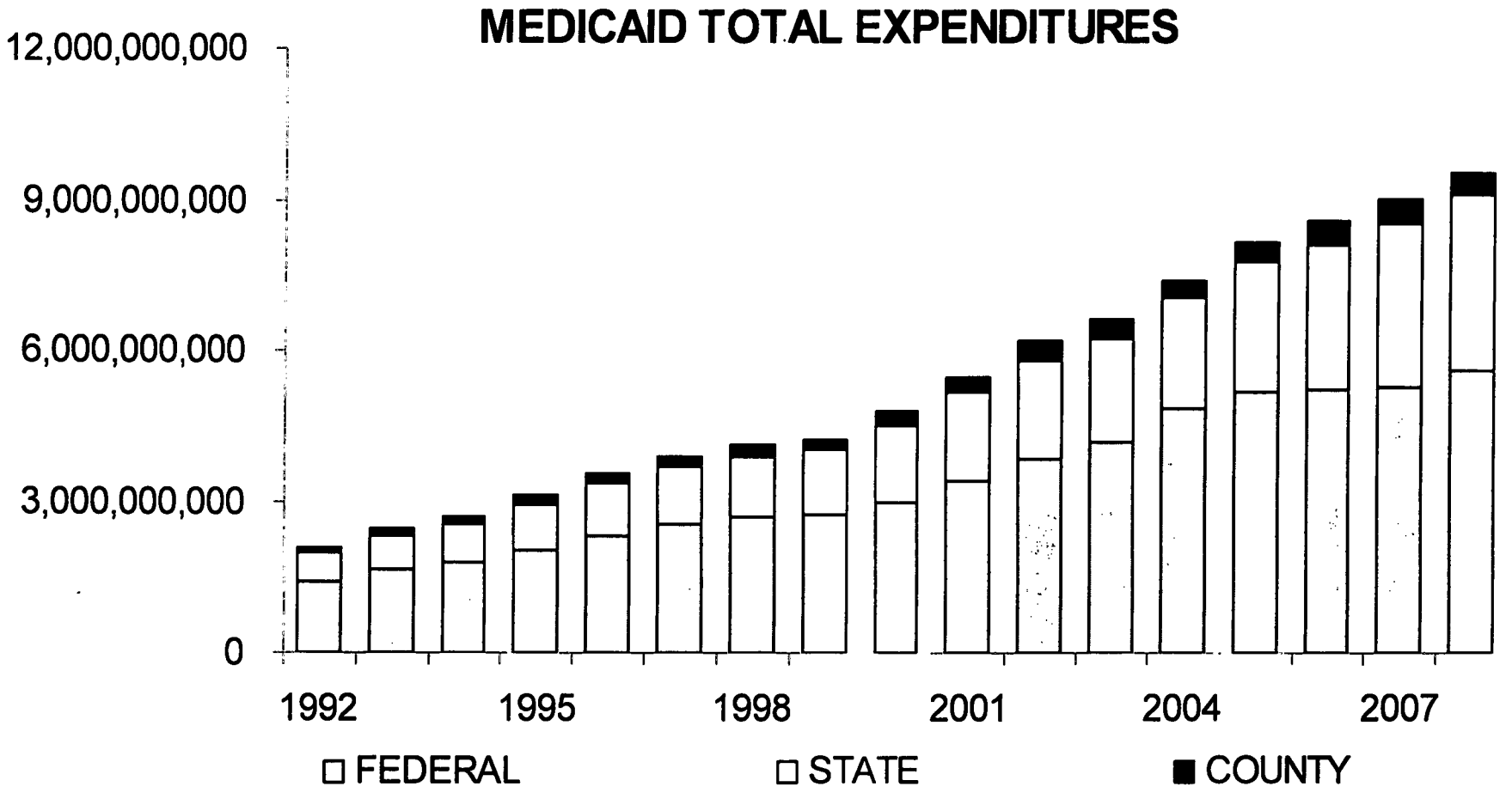
FINANCIAL RESPONSIBILITY

- SFY 2008-09 costs split between federal, State, and county governments

Federal (FMAP):	**64.46%**
State (SMAP):	**30.46%**
County:	**2.67%**

- S.L. 2007-323: NCGA began phase out of county share over 3 years
- SFY 2009-10 State assumes 100% county share = $592 million

Budget Impact



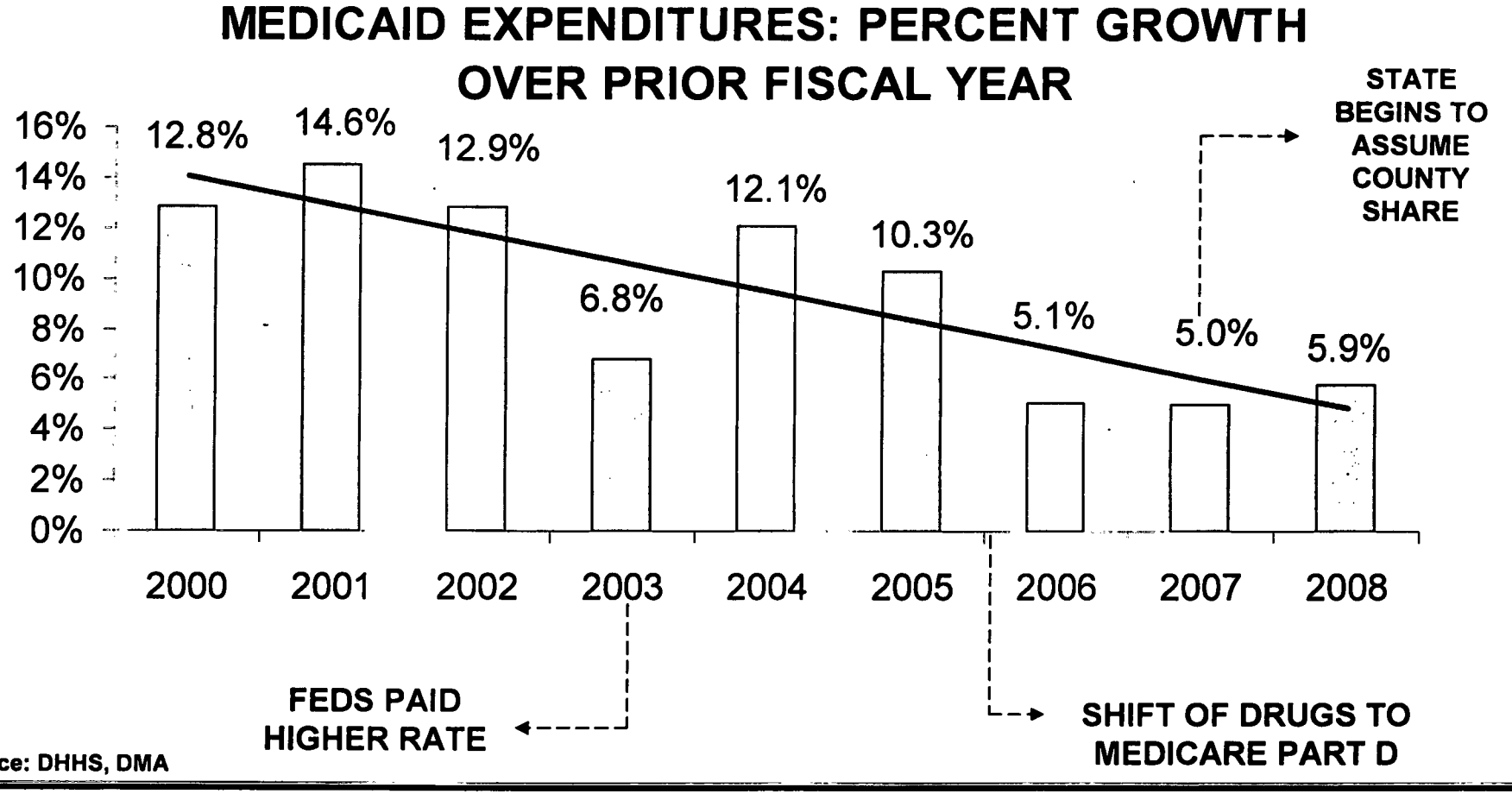
Source: DHHS, DMA

Budget Impact

PAST COST CONTAINMENT EFFORTS (FY 2001-2008)

- Limits on prescription drugs
- Changes for Medicaid providers
- Changes for Medicaid recipients
- Changes to Medicaid services
- Managed care initiative: Community Care of NC (CCNC)
- Shift of prescription drug coverage to Medicare Part D for dually eligible recipients

Budget Impact



Source: DHHS, DMA

Budget Impact

CURRENT RECESSION

- Latest data shows FY 2008-09 Medicaid expenditures about even with last year's spending
- Latest caseload data shows similar growth as last year
- Unemployment continues to rise

Budget Impact

- For 1% increase in unemployment in NC ~

  + 17,000 children on Medicaid/SCHIP: $17 million

  + 11,000 adults on Medicaid: $24 million

  $41 million GF for every 1% increase in unemployment

- December 2008 NC unemployment: 8.1%

Source: Kaiser Commission on the Uninsured (http://www.kff.org/uninsured/upload/7850.pdf); State Data Center; DMA; BLS

Economic Stimulus

FINAL BILL

- Increases amount federal government pays for Medicaid by:
  - + 6.2% points for all states
  - + percentage points for state-specific unemployment increases

- Effective for claims paid October 2008 through December 2010

Economic Stimulus

FEDERAL MEDICAL ASSISTANCE PERCENTAGES (FMAP)

	OLD		NEW
SFY 2008-09	64.60%	=	74.51%
SFY 2009-10	65.16%	=	74.98%
SFY 2010-11	65.56%	=	75.36%

Economic Stimulus

ESTIMATED FEDERAL ASSISTANCE

FY 2008-09:	$670.5 million
FY 2009-10:	$1.05 billion
FY 2010-11:	$535 million
TOTAL:	$2.255 billion

Source: FFIS estimates, February 24, 2009

Economic Stimulus

FINAL BILL

- Cannot decrease eligibility
- Must comply with Medicaid "prompt pay" provisions
- Prohibits moving any savings directly or indirectly into any reserve or rainy day fund

Economic Stimulus

CONSIDERATIONS

– Stimulus funds are time-limited

– Caseloads will likely increase

– Currently facing significant revenue shortfall

Cost Containment Options

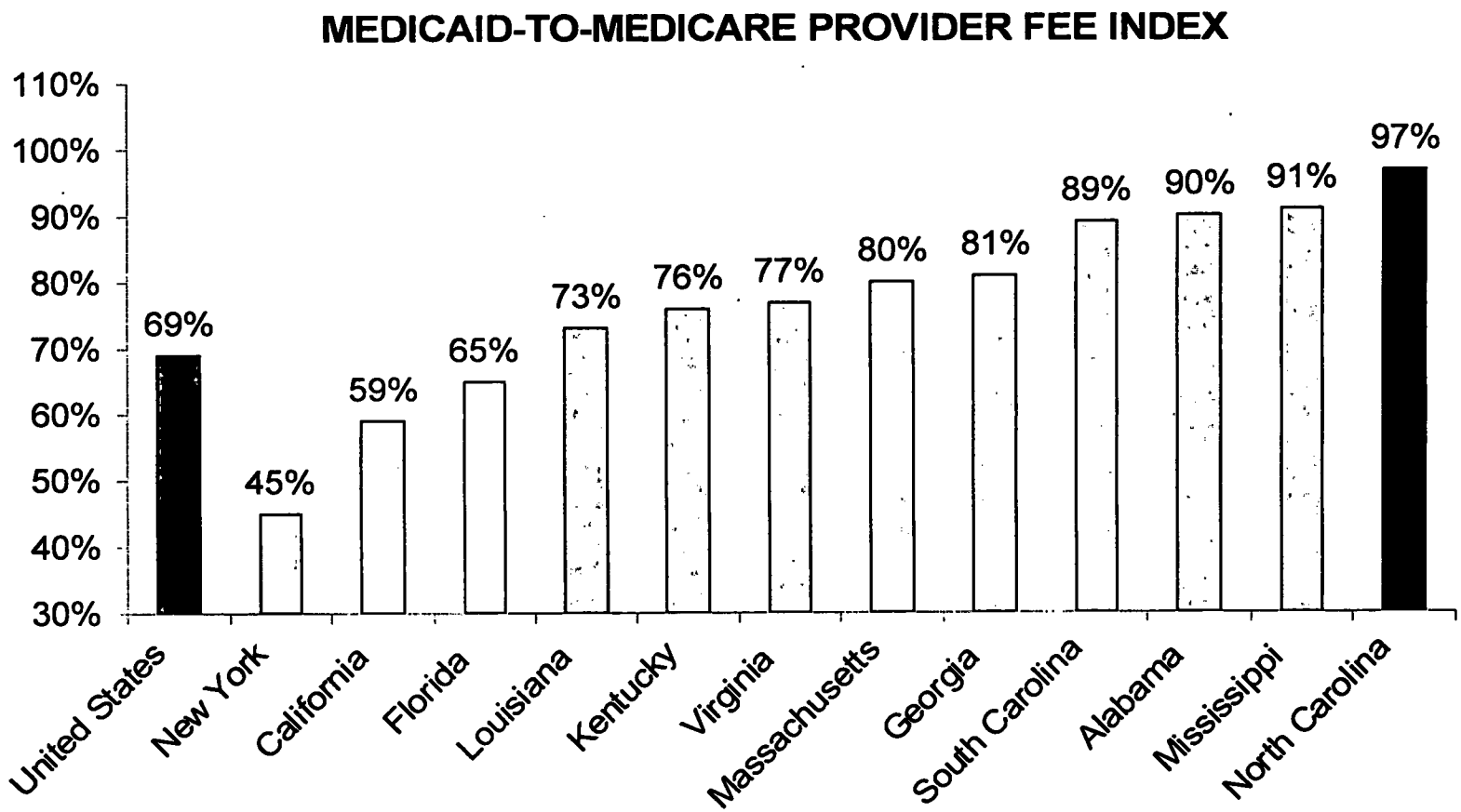
CONSIDERATIONS

– Provider rates

– Prescription drugs

– Optional services

Cost Containment Options



Source: Kaiser Family Foundation (2003): http://www.statehealthfacts.org/comparetable.jsp?ind=196&cat=4

Cost Containment Options

PRESCRIPTION DRUG PRICING

	Per Script	Supplemental Rebate Program?
North Carolina	**AWP – 10%**	**No**
Alabama	AWP – 10%	Yes
Virginia	AWP – 10.25%	Yes
South Carolina	AWP – 10.5%	Yes
Georgia	AWP – 11%	Yes
Mississippi	AWP – 12 - 25%	Yes
Louisiana	AWP – 13.5 -15%	Yes
Kentucky	AWP – 14 -15%	Yes
Tennessee	AWP – 13 -16%	Yes
Florida	AWP – 16.4%	Yes
West Virginia	AWP – 15 - 30%	Yes

Source: Centers for Medicare and Medicaid Services. AWP = Average Wholesale Price

Cost Containment Options

SERVICES

- Can limit amount of service provided for adults
- Can better manage utilization of services
- Can look at optional services
  - NC covers all but 2 optional services allowed by Medicaid

Questions

Fiscal Research Division

Room 619, LOB

919-733-4910

www.ncleg.net/fiscalresearch/

MINUTES
House Appropriations Subcommittee on
Health and Human Services

March 12, 2009

The House Appropriations Subcommittee on Health and Human Services met around Representative Bob England's desk in the House Chamber. Representative England presided and called the meeting to order immediately after session adjourned. She then welcomed all members present and thanked them for taking the time to attend the meeting.

The following members were present; Chairs: Representative Earle, England, and Insko; and members: Representatives Barnhart, Farmer-Butterfield, Brisson, Burr, Burris-Floyd, Dollar, and Stewart.

Chairman England then recognized Representative Holliman to present HOUSE BILL 102 - A BILL TO BE ENTITLED AN ACT TO ENACT A TECHNICAL AMENDMENT TO A SESSION LAW PERTAINING TO BUDGET CODE REFERENCES. After a brief explanation of the bill, members were recognized for questions of the bill sponsor. Following these discussions, Representative Insko was recognized who moved that House Bill 102 receive a favorable report and be sent to the House floor. The motion passed. Chairman England again thanked the members and adjourned the meeting. (A copy of the committee report is attached to these minutes.)

Representative Bob England
Chairman

Lisa W. Brown
Committee Assistant

2009 PERMANENT SUBCOMMITTEE REPORT
HOUSE OF REPRESENTATIVES

FOR RECOMMENDING BILLS TO STANDING COMMITTEE OR TO THE FLOOR OF THE HOUSE
The following report(s) from permanent sub committee(s) is/are presented:

By Representative(s) Earle, England, Insko (Chairs) for the Appropriations Subcommittee on Health and Human Services.

☐Committee Substitute for
HB 102 A BILL TO BE ENTITLED AN ACT TO ENACT A TECHNICAL AMENDMENT TO A SESSION LAW PERTAINING TO BUDGET CODE REFERENCES.

WITH APPROVAL OF STANDING COMMITTEE CHAIR(S) FOR REPORT TO BE MADE DIRECTLY TO THE FLOOR OF THE HOUSE:

Representative Michaux, Adams, Alexander, Crawford, Haire, Jeffus, Tolson, Yongue (Chairs) for the Standing Committee on Appropriations.

S/ _____
Rep. Maggie Jeffus
Rep. Martha B. Alexander

☒With a favorable report.

(FOR JOURNAL USE ONLY)

_____ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on _____.

_____ Pursuant to Rule 36(b), the bill/resolution is placed on the Calendar of _____.

H 1

HOUSE BILL 102

Short Title:	Budget Code Technical Correction.	(Public)
Sponsors:	Representatives Holliman; and Lucas.	
Referred to:	Health, if favorable, Appropriations.	

February 11, 2009

A BILL TO BE ENTITLED

AN ACT TO ENACT A TECHNICAL AMENDMENT TO A SESSION LAW PERTAINING TO BUDGET CODE REFERENCES.

The General Assembly of North Carolina enacts:

SECTION 1. Section 5 of S.L. 2007-532 reads as rewritten:

"**SECTION 5.** Notwithstanding G.S. 143C-9-3(b) and G.S. 147-86.30, of the funds credited to the Health Trust Account from the Master Settlement Agreement pursuant to Section 6(2) of S.L. 1992 during the 2008-2009 fiscal year, the sum of five million dollars ($5,000,000) for the 2008-2009 fiscal year shall be transferred from the Department of State Treasurer, Budget Code 23460 (Health and Wellness Trust Fund) to the ~~State Controller to be deposited in Nontax Budget Code 19978 (Intra State transfers) to support General Fund appropriations by the 2007 General Assembly, Regular Session 2008, for operations and claims of the~~ North Carolina Health Insurance Risk Pool, as enacted by this act."

SECTION 2. This act is effective when it becomes law.

SENATE APPROPRIATIONS SUBCOMMITTEE ON HEALTH AND HUMAN SERVICES

Wednesday, March 18, 2009
8:30 a.m.
Room 643, Legislative Office Building

The Senate Appropriations Subcommittee on Health and Human Services met on Wednesday, March 18, 2009, in Room 643. Senator William R. Purcell, Co-chair, presided. Senate members present were: Co-chairs William R. Purcell and Doug Berger and Senators Nesbitt, Forrester, Clary, and Blake.

Co-chair Purcell introduced the committee members, committee staff, committee clerks, Senate Pages, and the Sergeant-at-Arms.

Secretary Lanier Cansler, Department of Health and Human Services, made remarks regarding the DHHS budget. Secretary Cansler outlined the budget and discussed the process of developing the budget during this difficult time.

Co-chair Purcell recognized Ms. Jennifer Hoffman, Assistant State Budget Officer to present a portion of the Governor's budget.

Ms. Hoffman introduced the Office of State Budget staff; Pam Kilpatrick, Budget Analyst, Wayne Williams, Division of Mental Health, Melvin Lee, Division of Public Health. Ms. Hoffman went on to discuss the budget starting on page 7. (See Attachment 1) Ms. Hoffman went page-by-page to discuss each department reductions and expansions.

Co-chair Purcell opened the floor for questions from committee members for Ms. Jennifer Hoffman. After discussion, Co-chair Purcell introduced Ms. Pam Kilpatrick, Budget Analyst for the Office of State Budget and Management, Education Services.

Ms. Kilpatrick further discussed the Governor's Budget, beginning with page 61, Office of Education Services Budget. (See Attachment 1)

Co-chair Purcell opened the floor for questions and discussion from committee members. He then asked Ms. Hoffman to bring back the budget on Thursday, March 19, 2009 for further discussion.

The meeting was adjourned by Co-chair Purcell at 9:50 a.m.

WR Purcell
Senator William R. Purcell, Co-chair

Sara Sheppard
Sara Sheppard, Committee Ass't.

Principal Clerk ____
Reading Clerk ____

SENATE
NOTICE OF COMMITTEE MEETING

The Senate Committee on **Joint Appropriations on Health and Human Services** will meet at the following time:

DAY	DATE	TIME	ROOM
Tuesday	March 17, 2009	8:30 AM	643 LOB

Senator William R. Purcell, Co-Chair
Senator Doug Berger, Co-Chair

2

JOINT APPROPRIATIONS SUBCOMMITTEE FOR HEALTH AND HUMAN SERVICES

AGENDA

March 18, 2009, 8:30
Legislative Office Building
Room 643

Senate
Sen. William Purcell
Sen. Doug Berger
Sen. Charlie Dannelly
Sen. Martin Nesbitt, Jr.
Sen. Harris Blake
Sen. Debbie Clary
Sen. James Forrester

House
Rep. Beverly Earle
Rep. Verla Insko
Rep. Bob England
Rep. Jeffrey Barnhart
Rep. Jean Farmer-Butterfield
Rep. William Brisson
Rep. Justin Burr
Rep. Pearl Burris-Floyd
Rep. Nelson Dollar
Rep. Wil Neumann
Rep. Randy Stewart

Chairs	
Senator William Purcell *Senator Doug Berger*	*Representative Beverly Earle* *Representative Verla Insko* *Representative Bob England*
DHHS Budget Discussion	Secretary Lanier Cansler *Department of Health and Human Services*
Presentation of Governor's Budget For DHHS	Ms. Jennifer Hoffman, Assistant State Budget Officer Ms. Pam Kilpatrick, Budget Analyst *Office of State Budget and Management*
Closing Remarks	Chairs

JOINT APPROPRIATIONS SUBCOMMITTEE FOR HEALTH AND HUMAN SERVICES

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The North Carolina State Budget

RECOMMENDED OPERATING BUDGET

with Performance Management Information

2009-2011

Health and Human Services
Volume 3

Office of State Budget and Management
Office of the Governor
Raleigh, North Carolina

www.osbm.state.nc.us

Charles E. Perusse, State Budget Director
David Brown, Deputy Director for Budget
Jonathan Womer, Deputy Director for Management

March 2009

Governor's Recommended Adjustments to Base Budget

Department of Health and Human Services (144xx)

Recommended General Fund Budget and Positions

	2009-10	2010-11
Base Budget		
Requirements	$18,044,751,536	$18,945,866,755
Receipts	$12,508,406,597	$13,139,305,810
Appropriation	$5,536,344,939	$5,806,560,945
Recommended Adjustments		
Requirements	($196,800,547)	($408,384,178)
Receipts	$54,917,915	($150,970,965)
Appropriation	($251,718,462)	($257,413,213)
Total		
Requirements	$17,847,950,989	$18,537,482,577
Receipts	$12,563,324,512	$12,988,334,845
Recommended Appropriation	$5,284,626,477	$5,549,147,732
Positions		
Base Budget Positions	18,781.800	18,904.300
Reductions	(270.000)	(393.500)
Expansion	179.750	5.000
Recommended Positions	18,691.550	18,515.800

Total Recommended Reductions

	2009-10	2010-11
Recurring		
Requirements	($478,620,150)	($560,971,023)
Receipts	(268,748,330)	(316,800,140)
Appropriation	($209,871,820)	($244,170,883)
Positions	(270.000)	(393.500)

Nonrecurring		
Requirements	($40,878,625)	($39,428,761)
Receipts	23,668,983	4,839,643
Appropriation	($64,547,608)	($44,268,404)
Positions	-	-

Total Recommended Expansion

	2009-10	2010-11
Recurring		
Requirements	$39,318,811	$95,396,456
Receipts	20,021,551	64,370,382
Appropriation	$19,297,260	$31,026,074
Positions	179.750	5.000
Nonrecurring		
Requirements	$283,379,417	$96,619,150
Receipts	279,975,711	96,619,150
Appropriation	$3,403,706	-
Positions	-	-

Total Recommended Adjustments for Department of Health and Human Services 2009-11

	2009-10	2010-11
Recurring		
Requirements	($439,301,339)	($465,574,567)
Receipts	(248,726,779)	(252,429,758)
Appropriation	($190,574,560)	($213,144,809)
Positions	(90.250)	(388.500)
Nonrecurring		
Requirements	$242,500,792	$57,190,389
Receipts	303,644,694	101,458,793
Appropriation	($61,143,902)	($44,268,404)
Positions	-	-
Total Appropriation Adjustments	($251,718,462)	($257,413,213)
Total Position Adjustments	(90.250)	(388.500)

Governor's Recommended Adjustments to Base Budget

Division of Central Management and Support (14410)

Recommended General Fund Budget and Positions

	2009-10	2010-11
Base Budget		
Requirements	$168,712,454	$167,584,156
Receipts	$94,697,591	$93,101,563
Appropriation	$74,014,863	$74,482,593
Adjustments		
Requirements	$168,196,282	$58,920,727
Receipts	$191,832,255	$81,051,700
Appropriation	($23,635,973)	($22,130,973)
Total		
Requirements	$336,908,736	$226,504,883
Receipts	$286,529,846	$174,153,263
Recommended Appropriation	$50,378,890	$52,351,620
Positions		
Base Budget Positions	732.250	732.250
Reductions	-	-
Expansion	-	-
Recommended Positions	732.250	732.250

Appropriation Items -- Recommended Adjustments

Reductions

		2009-10	2010-11
1. Truth in Budgeting Reform (Budget Salaries at Less Than 100 Percent)			
The Governor recommends budgetary reform by reducing the budgeted salaries to more closely match the actual salary expenditures. Budget line items which normally use lapsed salaries for the agency's operation were increased in the continuation budget. These changes along with budget flexibility will allow the agency to operate more efficiently. General Fund salaries in the Department of Health and Human Services are recommended to be reduced by 6%.			
	Appropriation	**($22,502,488)**	**($22,502,488)**
2. Reduce Operating Budgets			
This recommendation reduces the operating budgets in the Central Management and Support divisions and offices, including the Secretary's Office, the administrative and support section, the Controller's Office, and the Office of Rural Health and Community Care.			
	Requirements	**($490,324)**	**($490,324)**
	Receipts	**($141,089)**	**($141,089)**
	Appropriation	**($349,235)**	**($349,235)**
3. Reduce Various Non-Profit Appropriations			
This recommendation is a 7% reduction to each of the non-profit organizations that receive funds through Central Management and Support's budget. Non-profits affected include the Institute of Medicine, Food Runners, Special Olympics, ALS Association, and Action for Children.			
	Appropriation	**($89,250)**	**($89,250)**
4. Reduce Community Health Grants			
This recommendation is a 7% reduction to the Community Health Grant Program, with one million, eight hundred sixty thousand dollars ($1,860,000) remaining in recurring support. The Community Health Program is a competitive grant program that provides grants, up to three years, to the State's safety net clinics to fund programmatic and some capital needs. This reduction decreases the number of grants awarded annually by approximately two.			
	Appropriation	**($140,000)**	**($140,000)**
5. Reduce Rental Subsidy			
A nonrecurring reduction in the transfer from the department to the Housing Finance Agency (HFA) to operate the Key Program is recommended. The department's transfer supports operating subsidy that makes rental units developed as part of the of the DHHS-HFA			

partnership affordable to low income persons with disabilities. Due to uncertainties in the equity market and new construction needs, approximately 310 rental units will not be ready for occupancy in fiscal year 2009-10. This nonrecurring reduction will not affect service levels.

Appropriation - Nonrecurring **($930,000)** -

6. **Reduce Psychiatric Loan Repayment Program**

A 7% nonrecurring reduction in the Psychiatric Loan Repayment program is recommended. This repayment program was started in FY 2006-07 with a one million ($1,000,000) appropriation. Although varying annual amounts have been committed to recruit and retain psychiatrists to rural and underserved areas of the state, funds have reverted to the General Fund each year. This nonrecurring reduction leaves sufficient funds to expand the number of contract awards over the previous year.

Appropriation - Nonrecurring **($70,000)** -

7. **Reduce Physician Loan Repayment Program**

A 7% nonrecurring reduction to the physician loan repayment program is recommended. This one-time action will reduce the number of contracts awarded by approximately four of 95 contracts (based on awards in FY 08). For one year, the Office of Rural Health will assure that the neediest sites get first priority.

Appropriation - Nonrecurring **($105,000)** -

8. **Reduce Loan Repayment Incentives at State Facilities**

This recommendation reduces funds to the loan repayment program at state facilities on a nonrecurring basis. During the 2008 Session, the General Assembly appropriated $868,519 in loan repayment funds to recruit medical doctors to the State's mental health hospitals. To date, these funds have not been awarded. This one-time reduction allows the department to continue to implement the program in FY 2009-10 and fully implement it in FY 2010-11.

Appropriation - Nonrecurring **($400,000)** -

Total Recommended Reductions

	2009-10	2010-11
Recurring		
Requirements	($23,222,062)	($23,222,062)
Receipts	(141,089)	(141,089)
Appropriation	($23,080,973)	($23,080,973)
Positions	-	-

Nonrecurring

Requirements	($1,505,000)	-
Receipts	-	-
Appropriation	($1,505,000)	-
Positions	-	-

Expansion

	2009-10	2010-11
1. **Medicaid Management Information System (MMIS) Replacement**		
The Governor recommends a nonrecurring appropriation of prior year earned revenue to match federal funds for the Medicaid Management Information System (MMIS) replacement project. The amount of prior year earned revenue recommended is $11,071,502 for 2009-10 and $9,820,689 for 2010-11. Prior year earned revenue serves as the required state match to earn on average 80% federal funding for the project. The system will replace the current Medicaid claims processing system and add functionality to support the State Children's Health Insurance Program (SCHIP), the collection of premiums, and mental health and public health programs. Funds support procurement, design, development and implementation of the new MMIS system and the central office that manages the project.		
Requirements - Nonrecurring	**$55,357,510**	**$49,103,445**
Receipts - Nonrecurring	**$55,357,510**	**$49,103,445**
Appropriation - Nonrecurring	**-**	**-**
2. **Health Net**		
The Governor recommends funds for Health Net to expand access to comprehensive health services for uninsured individuals across the state. Health Net is a care management program that assists low income, uninsured North Carolinians by providing them with a medical home and coordinating the receipt of free or low cost health care services for them through CCNC (Community Care of North Carolina), hospitals, local health departments and locally based indigent care programs. This recommendation replaces the nonrecurring funding received in FY 2008-09 with recurring funds in a like amount.		
Appropriation	**$950,000**	**$950,000**

3. **Medication Assistance Program**

The Governor recommends extending and expanding the Health and Wellness Trust Fund's (HWTF) support for the Medication Assistance Program for two additional years. The Medication Assistance Program assists indigent residents in need of prescription drugs to obtain access to the pharmaceutical manufacturers' free drug program. To increase access to primary health care to rural residents, this recommendation provides $30,000 annually to maintain or establish a Medication Management or a Prescription Assistance site in all 100 North Carolina counties.

Requirements - Nonrecurring	**$2,745,000**	**$3,000,000**
Receipts - Nonrecurring	**$2,745,000**	**$3,000,000**
Appropriation - Nonrecurring	**-**	**-**

4. **Additional Community Services Block Grants from Federal Recovery Act**

The Governor recommends budgeting additional Community Services Block Grant (CSBG) funds available through the American Reinvestment and Recovery Act. US HHS has not issued a final funding authorization to North Carolina at the time of publication, but the state's share is estimated at $26,245,000. Funds will help those hardest hit by the economic downturn by increasing access to employment supports, food, housing and health care. The Governor's recommended CSBG plan provides funds for community action agencies and limited purpose agencies with a small amount (one percent) set aside for benefit enrollment and coordination activities.

Requirements - Nonrecurring	**$21,870,834**	**$4,374,166**
Receipts - Nonrecurring	**$21,870,834**	**$4,374,166**
Appropriation - Nonrecurring	**-**	**-**

5. **Federal Recovery Funds for Weatherization Assistance**

The Governor recommends budgeting additional funds received through the American Reinvestment and Recovery Act for weatherization assistance to low income North Carolinians. Official information from the US Department of Energy had not been received at the time of publication, but unofficial estimates put the state's share at $136 million. Funds will be used to support the program's approved providers and subcontractors in order to weatherize an estimated 15,000 additional homes.

Requirements - Nonrecurring	**$112,000,000**	**$24,715,178**
Receipts - Nonrecurring	**$112,000,000**	**$24,715,178**
Appropriation - Nonrecurring	**-**	**-**

Total Recommended Expansion

	2009-10	2010-11
Recurring		
Requirements	$950,000	$950,000
Receipts	-	-
Appropriation	$950,000	$950,000
Positions	-	-
Nonrecurring		
Requirements	$191,973,344	$81,192,789
Receipts	191,973,344	81,192,789
Appropriation	-	-
Positions	-	-

Total Recommended Adjustments for Division of Central Management and Support (14410) 2009-11

	2009-10	2010-11
Recurring		
Requirements	($22,272,062)	($22,272,062)
Receipts	(141,089)	(141,089)
Appropriation	($22,130,973)	($22,130,973)
Positions	-	-
Nonrecurring		
Requirements	$190,468,344	$81,192,789
Receipts	191,973,344	81,192,789
Appropriation	($1,505,000)	-
Positions	-	-
Total Appropriation Adjustments	($23,635,973)	($22,130,973)
Total Position Adjustments	-	-

Governor's Recommended Adjustments to Base Budget

Division of Aging and Adult Services (14411)

Recommended General Fund Budget and Positions

	2009-10	2010-11
Base Budget		
Requirements	$90,530,181	$90,265,908
Receipts	$52,937,340	$52,671,268
Appropriation	$37,592,841	$37,594,640
Adjustments		
Requirements	$6,038,961	$1,409,796
Receipts	$4,779,165	$150,000
Appropriation	$1,259,796	$1,259,796
Total		
Requirements	$96,569,142	$91,675,704
Receipts	$57,716,505	$52,821,268
Recommended Appropriation	$38,852,637	$38,854,436
Positions		
Base Budget Positions	60.000	59.000
Reductions	(1.000)	(1.000)
Expansion	-	-
Recommended Positions	59.000	58.000

Appropriation Items -- Recommended Adjustments

Reductions

		2009-10	2010-11
1. **Eliminate Quality Improvement Consultation Program**			
This recommendation eliminates a contract and position that supported a Quality Improvement Program pilot, which has ended (Session Law 2005-276, section 10.40A(p)).			
	Requirements	**($190,204)**	**($190,204)**
	Receipts	-	-
	Appropriation	**($190,204)**	**($190,204)**
	Positions	**(1.000)**	**(1.000)**
2. **Reduce Senior Center Outreach Program**			
This recommendation reduces funding to the Senior Center Outreach Program on a temporary basis. Funding allocated to the 17 Area Agencies on Aging to promote the use of services available through senior centers will be reduced by one-half for each year of the biennium on a non-recurring basis.			
	Requirements - Nonrecurring	**($66,666)**	**($66,666)**
	Receipts - Nonrecurring	**($16,666)**	**($16,666)**
	Appropriation - Nonrecurring	**($50,000)**	**($50,000)**

Total Recommended Reductions

	2009-10	2010-11
Recurring		
Requirements	($190,204)	($190,204)
Receipts	-	-
Appropriation	($190,204)	($190,204)
Positions	(1.000)	(1.000)
Nonrecurring		
Requirements	($66,666)	($66,666)
Receipts	(16,666)	(16,666)
Appropriation	($50,000)	($50,000)
Positions	-	-

Expansion

	2009-10	2010-11

1. **Project C.A.R.E. (Caregivers Alternatives to Running on Empty)**

The Governor recommends a recurring appropriation to replace nonrecurring funds used to support Project C.A.R.E., a nationally recognized consumer-directed respite care program that provides comprehensive support to caregivers of persons with dementia. The program is a collaboration between Mecklenburg County and the Western N.C. Alzheimer's Association that operates in 14 western counties and serves approximately 500 families. In October 2008, the division was awarded a new three year grant to expand Project C.A.R.E. to eastern North Carolina. The federal and state funds combined help move this program toward the goal of statewide implementation. Further support for families caring for a person with dementia is provided through a caregiver tax credit being proposed by the Governor in her tax package.

Requirements	**$555,555**	**$555,555**
Receipts	**$55,555**	**$55,555**
Appropriation	**$500,000**	**$500,000**

2. **Home and Community Care Block Grant and Federal Recovery Funds**

The Governor recommends an increase of $1 million for the Home and Community Block Grant (HCCBG) to support services designed to help frail elderly stay living in their homes, such as in-home personal care. She also recommends budgeting $3.7 million in HCCBG funds available through the American Reinvestment and Recovery Act, which are targeted at nutrition services. In addition, beginning in FY 2010, the Governor's recommended budget restores the availability of the $2 million appropriated by the General Assembly during the 2008 Session for the HCCBG. These funds were not allocated in the current fiscal year due to the budget shortfall.

Requirements	**$1,111,111**	**$1,111,111**
Requirements - Nonrecurring	**$4,076,667**	**-**
Receipts	**$111,111**	**$111,111**
Receipts - Nonrecurring	**$4,076,667**	**-**
Appropriation	**$1,000,000**	**$1,000,000**

3. **Senior Community Service Employment Program and Federal Recovery Funds**

The Senior Community Service Employment Program (SCSEP) places economically disadvantaged individuals 55 years of age and older with an income at 125% of the federal poverty level or below into part-time community service programs while transitioning clients into unsubsidized employment. Currently, five Area Agencies on Aging provide employment services in 25 counties. $621,560 in federal recovery funds will be available to support the program. Twenty percent of the funds must be spent in the current year. The Governor recommends that the remaining funds ($497,248), plus a required local match ($55,250), be budgeted.

Requirements - Nonrecurring	**$552,498**	-
Receipts - Nonrecurring	**$552,498**	-
Appropriation - Nonrecurring	-	-

Total Recommended Expansion

	2009-10	2010-11
Recurring		
Requirements	$1,666,666	$1,666,666
Receipts	166,666	166,666
Appropriation	$1,500,000	$1,500,000
Positions	-	-
Nonrecurring		
Requirements	$4,629,165	-
Receipts	4,629,165	-
Appropriation	-	-
Positions	-	-

Total Recommended Adjustments for
Division of Aging and Adult Services (14411)
2009-11

	2009-10	2010-11
Recurring		
Requirements	$1,476,462	$1,476,462
Receipts	166,666	166,666
Appropriation	$1,309,796	$1,309,796
Positions	(1.000)	(1.000)
Nonrecurring		
Requirements	$4,562,499	($66,666)
Receipts	4,612,499	(16,666)
Appropriation	($50,000)	($50,000)
Positions	-	-
Total Appropriation Adjustments	$1,259,796	$1,259,796
Total Position Adjustments	(1.000)	(1.000)

Governor's Recommended Adjustments to Base Budget

Division of Child Development (14420)

Recommended General Fund Budget and Positions

	2009-10	2010-11
Base Budget		
Requirements	$639,523,113	$639,537,839
Receipts	$334,119,976	$334,120,661
Appropriation	$305,403,137	$305,417,178
Adjustments		
Requirements	$58,548,753	($115,910)
Receipts	$84,398,003	$4,402,385
Appropriation	($25,849,250)	($4,518,295)
Total		
Requirements	$698,071,866	$639,421,929
Receipts	$418,517,979	$338,523,046
Recommended Appropriation	$279,553,887	$300,898,883
Positions		
Base Budget Positions	299.750	299.750
Reductions	(1.000)	(1.000)
Expansion	-	-
Recommended Positions	298.750	298.750

Appropriation Items -- Recommended Adjustments

Reductions

	2009-10	2010-11
1. Reduce Operating Expenses		
It is recommended to continue the current year reduction to various operating accounts on a permanent basis.		
Requirements	**($20,000)**	**($20,000)**
Receipts	**-**	**-**
Appropriation	**($20,000)**	**($20,000)**
2. Reduce Professional Development Funding		
This recommendation eliminates professional development funding for administering the testing-out of coursework required for lead child care teachers. As of July 2008, lead child care teachers can no longer test out of coursework and the funding to administer the test is not needed.		
Requirements	**($59,860)**	**($59,860)**
Receipts	**-**	**-**
Appropriation	**($59,860)**	**($59,860)**
3. Eliminate One General Administration Position		
It is recommended that a processing assistant V position be eliminated. The position has been vacant for over a year, and the duties have been reassigned to other staff.		
Requirements	**($36,050)**	**($36,050)**
Receipts	**-**	**-**
Appropriation	**($36,050)**	**($36,050)**
Positions	**(1.000)**	**(1.000)**

4. **Reduce Smart Start Funding**

It is recommended that Smart Start be reduced by 4% on a nonrecurring basis. Smart Start subsidized child care funds are excluded from this reduction in order to meet Child Care and Development Fund (CCDF) Block Grant matching requirements and to follow requirements in the federal American Recovery and Reinvestment Act of 2009.

Requirements - Nonrecurring	**($8,878,471)**	**-**
Receipts - Nonrecurring	**-**	**-**
Appropriation - Nonrecurring	**($8,878,471)**	**-**

5. **Replace State Funding for Child Care Subsidy Funds with Federal Receipts**

It is recommended that state funds be replaced with one-time Temporary Assistance for Needy Families (TANF) Block Grant contingency funds in FY 2009-10. There will be no impact to services.

Requirements - Nonrecurring	**-**	**-**
Receipts - Nonrecurring	**$12,452,484**	**-**
Appropriation - Nonrecurring	**($12,452,484)**	**-**

6. **Replace State Funding for TEACH Program with Federal Receipts**

This recommendation replaces state funding with existing federal CCDF Block Grant receipts for the TEACH program. The replacement of state funds makes the TEACH program 100% receipt supported for the biennium. There will be no impact to services.

Requirements - Nonrecurring	**-**	**-**
Receipts - Nonrecurring	**$3,800,000**	**$3,800,000**
Appropriation - Nonrecurring	**($3,800,000)**	**($3,800,000)**

7. **Charge/Increase Licensing Fees for Child Care Facilities**

It is recommended that the annual child care center licensing fees increase by 50% and a new annual fee for child care homes be established that is equal to the new fee for small centers with 12 or fewer children. The revised fees will range from $52 - $600 and are estimated to generate $602,385 in additional revenue that will be used to offset General Fund appropriations.

Requirements	**-**	**-**
Receipts	**$602,385**	**$602,385**
Appropriation	**($602,385)**	**($602,385)**

Total Recommended Reductions

	2009-10	2010-11
Recurring		
Requirements	($115,910)	($115,910)
Receipts	602,385	602,385
Appropriation	($718,295)	($718,295)
Positions	(1.000)	(1.000)
Nonrecurring		
Requirements	($8,878,471)	-
Receipts	16,252,484	3,800,000
Appropriation	($25,130,955)	($3,800,000)
Positions	-	-

Expansion

	2009-10	2010-11
1. **Federal Recovery Funding for Child Care Subsidies**		
The Governor recommends using federal recovery funds of $53,993,329 from the CCDF Block Grant for child care subsidies in FY 2009-10. These funds will remove approximately 11,875 children from the waiting list of about 28,000. Combined with other state and federal funds, approximately 103,114 children, on average, will receive subsidy services each month next year. In addition to subsidy, $11,519,144, as required by the federal recovery act, will be spent on quality activities, and another $2,030,661 will be spent by local purchasing agencies for eligibility determination and administration based on the existing allocation formula.		
Requirements - Nonrecurring	**$67,543,134**	
Receipts - Nonrecurring	**$67,543,134**	
Appropriation - Nonrecurring	-	-

Total Recommended Expansion

	2009-10	2010-11
Recurring		
Requirements	-	-
Receipts	-	-
Appropriation	-	-
Positions	-	-
Nonrecurring		
Requirements	$67,543,134	-
Receipts	67,543,134	-
Appropriation	-	-
Positions	-	-

Total Recommended Adjustments for Division of Child Development (14420) 2009-11

	2009-10	2010-11
Recurring		
Requirements	($115,910)	($115,910)
Receipts	602,385	602,385
Appropriation	($718,295)	($718,295)
Positions	(1.000)	(1.000)
Nonrecurring		
Requirements	$58,664,663	-
Receipts	83,795,618	3,800,000
Appropriation	($25,130,955)	($3,800,000)
Positions	-	-
Total Appropriation Adjustments	($25,849,250)	($4,518,295)
Total Position Adjustments	(1.000)	(1.000)

Governor's Recommended Adjustments to Base Budget

Office of Education Services (14424)

Recommended General Fund Budget and Positions

	2009-10	2010-11
Base Budget		
Requirements	$42,896,632	$42,948,540
Receipts	$2,069,198	$2,069,198
Appropriation	$40,827,434	$40,879,342
Adjustments		
Requirements	($2,460,013)	($2,460,013)
Receipts	-	-
Appropriation	($2,460,013)	($2,460,013)
Total		
Requirements	$40,436,619	$40,488,527
Receipts	$2,069,198	$2,069,198
Recommended Appropriation	$38,367,421	$38,419,329
Positions		
Base Budget Positions	636.870	636.870
Reductions	(35.000)	(35.000)
Expansion	-	-
Recommended Positions	601.870	601.870

Appropriation Items -- Recommended Adjustments

Reductions

		2009-10	2010-11
1. Reduce Operating Budget			
This recommendation implements operating budget reductions that do not impact the division's ability to carry out programs and services. Reductions will come from accounts such as general administrative supplies, operating supplies, and equipment.			
	Appropriation	**($703,191)**	**($703,191)**
2. Reduce Contract Funds			
This recommendation reduces funds for contracted services. No services required by a child's Individual Education Plan (IEP) will be affected.			
	Appropriation	**($254,931)**	**($254,931)**
3. Eliminate Vacant Positions			
This recommendation eliminates the following vacant positions: five at Western North Carolina School for the Deaf; 11 at Eastern North Carolina School for the Deaf; 14 at Governor Morehead School for the Blind; and two at the Governor Morehead Preschool (GMS). Of these positions, eight have been vacant for six to 12 months, and 19 have been vacant for more than a year. Enrollment at residential schools has declined in recent years, from a total of 311 students in 2006-07 to 265 in the current school year. At GMS preschool, 669 children and families were served in 2006-07 compared to 657 in the current year. Overall children and families served have declined approximately 5.9% since 2007. Eliminating these vacant positions reduces overall staff at the schools and preschool by 5.6%.			
	Appropriation	**($1,350,212)**	**($1,350,212)**
	Positions	**(32.000)**	**(32.000)**
4. Suspend Governor Morehead School Short Term Outreach Program			
This recommendation temporarily suspends the Governor Morehead School Short Term Outreach program for the 2009-11 biennium. The program provides weekly camps for approximately 70 children annually who come from across the state to develop skills such as orientation and mobility and money handling. Funds will be restored in the next biennium.			
	Appropriation - Nonrecurring	**($151,679)**	**($151,679)**
	Positions	**(3.000)**	**(3.000)**

Total Recommended Reductions

	2009-10	2010-11
Recurring		
Requirements	($2,308,334)	($2,308,334)
Receipts	-	-
Appropriation	($2,308,334)	($2,308,334)
Positions	(35.000)	(35.000)
Nonrecurring		
Requirements	($151,679)	($151,679)
Receipts	-	-
Appropriation	($151,679)	($151,679)
Positions	-	-

Total Recommended Adjustments for Office of Education Services (14424) 2009-11

	2009-10	2010-11
Recurring		
Requirements	($2,308,334)	($2,308,334)
Receipts	-	-
Appropriation	($2,308,334)	($2,308,334)
Positions	(35.000)	(35.000)
Nonrecurring		
Requirements	($151,679)	($151,679)
Receipts	-	-
Appropriation	($151,679)	($151,679)
Positions	-	-
Total Appropriation Adjustments	($2,460,013)	($2,460,013)
Total Position Adjustments	(35.000)	(35.000)

Governor's Recommended Adjustments to Base Budget

Division of Public Health (14430)

Recommended General Fund Budget and Positions

	2009-10	2010-11
Base Budget		
Requirements	$794,639,232	$797,829,994
Receipts	$599,425,225	$599,599,491
Appropriation	$195,214,007	$198,230,503
Adjustments		
Requirements	($3,002,693)	($4,142,824)
Receipts	$7,834,392	$7,834,392
Appropriation	($10,837,085)	($11,977,216)
Total		
Requirements	$791,636,539	$793,687,170
Receipts	$607,259,617	$607,433,883
Recommended Appropriation	$184,376,922	$186,253,287
Positions		
Base Budget Positions	2,117.550	2,117.550
Reductions	(9.000)	(9.000)
Expansion	-	-
Recommended Positions	2,108.550	2,108.550

Appropriation Items -- Recommended Adjustments

Reductions

	2009-10	2010-11
1. Reduce Operating Budgets		
This recommendation reduces operating budgets that do not impact the division's ability to carry out programs and services in the following public health section and branches: the Women's and Children's Health Section; the Early Intervention and Immunization Branch; and the Local Health Departments (Local Health Services).		
Requirements	**($358,363)**	**($358,363)**
Receipts	**($10,000)**	**($10,000)**
Appropriation	**($348,363)**	**($348,363)**
Positions	-	-
2. Reduce Aids Drug Assistance Program		
This recommendation reduces state funds, on a two-year nonrecurring basis, used to purchase pharmaceuticals in the AIDS Drugs Assistance Program. This reduction is not anticipated to cause a decrease in the current level of service or to create a waiting list. The program will begin to use its "drug reserve" which is an inventory of drugs (valued at $7 million) that is maintained in the event of an interruption in the normal delivery of drugs to the distribution center.		
Appropriation - Nonrecurring	**($2,074,119)**	**($2,074,119)**
3. Vital Records Fee Increase		
This recommendation reduces state funds by allowing the Vital Records Section to become 100% receipt-supported. This recommendation eliminates the General Fund appropriation and replaces it with receipts generated from an increase in the fee charged for vital records from $15.00 to $24.00 per copy. It also increases the fee charged for expedited service by $5.00 for out-of-state requests.		
Requirements	-	-
Receipts	**$1,226,403**	**$1,226,403**
Appropriation	**($1,226,403)**	**($1,226,403)**

4. **Reduce Funds for Grant Programs**

This recommendation reduces state funds for the following two public health grant programs: the Local Health Services Incubator Grant Program, administered via a contract with the NC Institute for Public Health ($394,255); and the Community Focused Eliminating Health Disparities Initiative ($50,000).

Requirements	**($444,255)**	**($444,255)**
Receipts	**-**	**-**
Appropriation	**($444,255)**	**($444,255)**
Positions	**-**	**-**

5. **Shift Positions to Receipt Support**

This recommendation replaces General Fund appropriations with federal funds for the following positions: one Public Health Program Consultant I position in the Immunization section ($57,154); and seven WIC Regional Consultants in the Nutrition and Dietary Services section($13,387).

Requirements	**-**	**-**
Receipts	**$70,541**	**$70,541**
Appropriation	**($70,541)**	**($70,541)**

6. **Eliminate Positions and Reduce Contracts in the Early Intervention Program**

The recommendation eliminates nine vacant positions and decreases contract funding for four Children's Developmental Services Agencies(CDSAs), which also provide early intervention services to children. This position elimination represents a one percent (1%) decrease in the total position count.

Requirements	**($660,054)**	**($660,054)**
Receipts	**-**	**-**
Appropriation	**($660,054)**	**($660,054)**
Positions	**(9.000)**	**(9.000)**

7. **Replace State Funds with Federal Receipts**

This recommendation replaces state funds with an equal amount of federal funds for the following programs: Maternity Care Coordination and Targeted Infant Mortality Reduction Programs ($333,207); NC Healthy Start Foundation ($155,000); Perinatal Outreach Coordinator Program ($30,000); the Craniofacial Abnormalities contract and Carolina Children's Communicative Disorder Program ($537,248); and the Prevent Blindness NC contract ($135,700).

Requirements	-	-
Receipts	**$1,191,155**	**$1,191,155**
Appropriation	**($1,191,155)**	**($1,191,155)**

8. **Eliminate Statewide Contracts**

This recommendation eliminates funds that support the following contracted programs: the Fetal Infant Mortality Review Program ($76,032), which contracts to collect and analyze hospital, family, and community data from families and health providers to determine causes of fetal and infant deaths; the Tertiary Center High Risk Maternity Clinics ($249,935); and the Community Transition Coordination Program ($132,000), which reviews records of children admitted to hospitals.

Requirements	**($791,174)**	**($791,174)**
Receipts	**($333,207)**	**($333,207)**
Appropriation	**($457,967)**	**($457,967)**
Positions	-	-

9. **Reduce Contracts-Children and Youth**

This recommendation reduces unobligated contract funds with local health departments (LHDs) and Community Care of NC agencies, and also reduces the contract with the University of North Carolina.

Requirements	**($903,965)**	**($903,965)**
Receipts	-	-
Appropriation	**($903,965)**	**($903,965)**
Positions	-	-

10. **Remove Inflationary Increases and Vehicle and Equipment Replacement**

This recommendation reduces state funds by removing inflationary items such as utilities, water and sewer, gasoline, and pharmaceuticals out of the continuation budget. Vehicle and equipment replacement increases are also being taken out of the continuation budget.

Requirements	**($3,707,263)**	**($4,847,394)**
Receipts	-	-
Appropriation	**($3,707,263)**	**($4,847,394)**
Positions	-	-

Total Recommended Reductions

	2009-10	2010-11
Recurring		
Requirements	($6,865,074)	($8,005,205)
Receipts	2,144,892	2,144,892
Appropriation	($9,009,966)	($10,150,097)
Positions	(9.000)	(9.000)
Nonrecurring		
Requirements	($2,074,119)	($2,074,119)
Receipts	-	-
Appropriation	($2,074,119)	($2,074,119)
Positions	-	-

Expansion

	2009-10	2010-11
1. Improve Birth Outcomes and Reduce Infant Mortality		
The Governor recommends funding in the amount of $97,000 to educate healthcare providers and women on the benefits of progesterone for those who have had pre-term births and to purchase medication for eligible minority and low-income women. Funds in the amount of $150,000 are being recommended to expand and strengthen the statewide initiative addressing SIDS (Sudden Infant Death Syndrome) awareness campaign, which emphasizes safe sleep practices.		
Requirements	**$247,000**	**$247,000**
Receipts	**-**	**-**
Appropriation	**$247,000**	**$247,000**
Positions	**-**	**-**
2. Federal Recovery Funds for the Division of Public Health (DPH)		
The Governor recommends budgeting federal funds available through the American Reinvestment and Recovery Act for the DPH Immunization Branch in the amount of $11,379,000. These funds may be used to purchase vaccines for children and to fund adult immunization programs that protect seniors and others from common diseases such as seasonal influenza that claimed 1,699 lives in 2006 and 1,644 in 2007.		
Requirements - Nonrecurring	**$5,689,500**	**$5,689,500**
Receipts - Nonrecurring	**$5,689,500**	**$5,689,500**
Appropriation - Nonrecurring	**-**	**-**

Total Recommended Expansion

	2009-10	2010-11
Recurring		
Requirements	$247,000	$247,000
Receipts	-	-
Appropriation	$247,000	$247,000
Positions	-	-

Nonrecurring		
Requirements	$5,689,500	$5,689,500
Receipts	5,689,500	5,689,500
Appropriation	-	-
Positions	-	-

Total Recommended Adjustments for Division of Public Health (14430) 2009-11

	2009-10	2010-11
Recurring		
Requirements	($6,618,074)	($7,758,205)
Receipts	2,144,892	2,144,892
Appropriation	($8,762,966)	($9,903,097)
Positions	(9.000)	(9.000)
Nonrecurring		
Requirements	$3,615,381	$3,615,381
Receipts	5,689,500	5,689,500
Appropriation	($2,074,119)	($2,074,119)
Positions	-	-
Total Appropriation Adjustments	($10,837,085)	($11,977,216)
Total Position Adjustments	(9.000)	(9.000)

Governor's Recommended Adjustments to Base Budget

Division of Social Services (14440)

Recommended General Fund Budget and Positions

	2009-10	2010-11
Base Budget		
Requirements	$1,672,400,294	$1,665,317,944
Receipts	$1,436,182,184	$1,430,819,401
Appropriation	$236,218,110	$234,498,543
Adjustments		
Requirements	($14,517,464)	($12,849,214)
Receipts	$9,837,839	$3,460,983
Appropriation	($24,355,303)	($16,310,197)
Total		
Requirements	$1,657,882,830	$1,652,468,730
Receipts	$1,446,020,023	$1,434,280,384
Recommended Appropriation	$211,862,807	$218,188,346
Positions		
Base Budget Positions	797.000	797.000
Reductions	-	-
Expansion	-	-
Recommended Positions	797.000	797.000

Appropriation Items -- Recommended Adjustments

Reductions

	2009-10	2010-11
1. Reduce Operating and Contracts Budgets		
This recommendation is for operating budget reductions for the division's central office, economic services section, and child support enforcement (CSE) program, and reducing the contract budget for CSE. The reductions do not impact the division's ability to carry out programs and deliver services.		
Requirements	**($1,546,236)**	**($1,546,236)**
Receipts	**($851,072)**	**($851,072)**
Appropriation	**($695,164)**	**($695,164)**
2. Work First Cash Assistance State Funding		
This recommendation increases federal block grant funds for Work First cash assistance payments and reduces a corresponding amount of state funds budgeted for this purpose. There are adequate federal funds to support the program and eliminating state funding does not adversely impact the state's ability to meet its required Temporary Assistance to Needy Families (TANF) maintenance of effort.		
Requirements	**-**	**-**
Receipts	**$7,178,459**	**$7,178,459**
Appropriation	**($7,178,459)**	**($7,178,459)**
3. Electing Counties Work First State Funds		
This recommendation budgets one-time additional Temporary Assistance to Needy Families (TANF) block grant funds and reduces a corresponding amount of state funds on a nonrecurring basis for Work First cash assistance payments and Work First county block grants for Electing Counties. This recommendation does not reduce the budget for Electing Counties cash assistance or block grants and will not impact the state's ability to meet TANF maintenance of effort requirements.		
Requirements - Nonrecurring	**-**	**-**
Receipts - Nonrecurring	**$2,378,213**	**-**
Appropriation - Nonrecurring	**($2,378,213)**	**-**

4. **Reduce Funds for Child Advocacy Centers**

This recommendation is a 7% reduction in funds provided to the 21 accredited child advocacy centers located throughout the state. In 2008-09 state appropriation for the child advocacy centers was increased from $200,000 to $575,000. With this reduction, funds totaling $534,750 remain in the budget to support the centers' services to abused and neglected children.

Appropriation	**($40,250)**	**($40,250)**

5. **Eliminate Payments for Maternity Home Services**

This recommendation eliminates reimbursements to maternity home providers. There are 15 maternity homes located in nine counties providing services to approximately 190 women. Other service options are available to women experiencing unplanned pregnancies through local health departments, mental health agencies, social service departments, housing programs, and community based programs.

Requirements	**($1,250,000)**	**($1,250,000)**
Receipts	**($1,144,998)**	**($1,144,998)**
Appropriation	**($105,002)**	**($105,002)**

6. **Reduce Funds for NC Reach**

This recommendation continues NC Reach with an appropriation of $3,168,250 from Escheat Fund income each year of the 2009-11 biennium and $1,168,250 from the General Fund for 2010-11. Currently funded with equal appropriations of $3,168,250 from the General Fund and Escheat Fund income, the program reports serving 179 students with grants averaging $7,000 each. This recommendation will allow the program to continue to grow by an estimated 173 students each year of the biennium while reducing the need for state funds. NC Reach is the state's postsecondary education support program for children adopted after age 12 or who age out of the state's foster care program.

Appropriation	**($1,500,000)**	**($1,500,000)**
Appropriation - Nonrecurring	**($1,668,250)**	**-**

7. **Eliminate Funds for the Child Welfare Collaborative**

This recommendation eliminates funds for the Child Welfare Collaborative. The collaborative provides financial, educational, and employment support for selected social work students who will commit to work in a North Carolina county department of social services. The department believes there are more cost effective means of encouraging child welfare employment. Federal funds supporting the collaborative (such as the Temporary Assistance to Needy Families block grant and Title IV-E foster care administration funds) can be redirected to other services.

Requirements	**($3,038,743)**	**($3,038,743)**
Receipts	**($2,777,715)**	**($2,777,715)**
Appropriation	**($261,028)**	**($261,028)**

8. **Federal Recovery Funds for Foster Care and Adoption Assistance**

This recommendation budgets additional federal matching funds to support Foster Care and Adoption Assistance maintenance payments. The American Reinvestment and Recovery Act provides enhanced federal financial participation for Title IV-E payments for foster care and adoption services from October 1, 2008 through September 30, 2010. This recommendation represents the state savings due to enhanced federal funding and does not reduce or otherwise change the current total recommended budget for payments. County costs will be offset by an equal amount of federal recovery funds.

Requirements - Nonrecurring	**-**	**-**
Receipts - Nonrecurring	**$2,840,410**	**$726,309**
Appropriation - Nonrecurring	**($2,840,410)**	**($726,309)**

9. **Federal Recovery Funds for Child Support Enforcement**

This recommendation budgets federal funds available through the American Reinvestment and Recovery Act to support the child support enforcement program. The act temporarily restores (from October 1, 2008 through September 30, 2010) the child support incentive match, which was repealed in the Deficit Reduction Act of 2005. This recommendation budgets available federal funds on a nonrecurring basis and reduces a corresponding amount of state appropriations.

Requirements - Nonrecurring	**-**	**-**
Receipts - Nonrecurring	**$2,214,542**	**$330,000**
Appropriation - Nonrecurring	**($2,214,542)**	**($330,000)**

10. **Replace State Funds with Federal Recovery Funds**

This recommendation replaces state funds with federal funds for counties on a nonrecurring basis for two years. State funds are used to assist in offsetting the cost of administering public assistance programs. Due to an increase in Federal Medical Assistance Percentage (FMAP), counties will receive additional federal recovery funds to hold them harmless from this reduction.

Appropriation - Nonrecurring	**($5,473,985)**	**($5,473,985)**

Total Recommended Reductions

	2009-10	2010-11
Recurring		
Requirements	($7,375,229)	($7,375,229)
Receipts	2,404,674	2,404,674
Appropriation	($9,779,903)	($9,779,903)
Positions	-	-
Nonrecurring		
Requirements	($7,142,235)	($5,473,985)
Receipts	7,433,165	1,056,309
Appropriation	($14,575,400)	($6,530,294)
Positions	-	-

Total Recommended Adjustments for Division of Social Services (14440) 2009-11

	2009-10	2010-11
Recurring		
Requirements	($7,375,229)	($7,375,229)
Receipts	2,404,674	2,404,674
Appropriation	($9,779,903)	($9,779,903)
Positions	-	-
Nonrecurring		
Requirements	($7,142,235)	($5,473,985)
Receipts	7,433,165	1,056,309
Appropriation	($14,575,400)	($6,530,294)
Positions	-	-
Total Appropriation Adjustments	($24,355,303)	($16,310,197)
Total Position Adjustments	-	-

Governor's Recommended Adjustments to Base Budget

Division of Medical Assistance (14445)

Recommended General Fund Budget and Positions

	2009-10	2010-11
Base Budget		
Requirements	$12,619,033,671	$13,508,220,689
Receipts	$8,937,757,558	$9,574,298,778
Appropriation	$3,681,276,113	$3,933,921,911
Adjustments		
Requirements	($419,701,971)	($494,140,056)
Receipts	($273,079,406)	($321,184,911)
Appropriation	($146,622,565)	($172,955,145)
Total		
Requirements	$12,199,331,700	$13,014,080,633
Receipts	$8,664,678,152	$9,253,113,867
Recommended Appropriation	$3,534,653,548	$3,760,966,766
Positions		
Base Budget Positions	444.250	444.250
Reductions	-	-
Expansion	-	-
Recommended Positions	444.250	444.250

Appropriation Items -- Recommended Adjustments

Reductions

	2009-10	2010-11
1. Reduce Prescription Drug Costs		
This recommendation is to reduce drug expenditures by employing the following actions: enhanced utilization management of the Prescription Advantage List (PAL), increased utilization of generic drugs in place of brand name drugs, and increased rebate collections on generic drugs. If sufficient savings are not realized by these actions, the department shall implement a preferred drug list for all drug classes in the Medicaid program. Generic drugs and brand drugs that offer supplemental rebates will be included.		
Requirements	**($59,625,076)**	**($87,450,111)**
Receipts	**($38,833,812)**	**($57,236,098)**
Appropriation	**($20,791,264)**	**($30,214,013)**
2. Establish an Emergency Room Copayment for Non-emergency Visits		
In order to reduce uncecessary visits to the emergency room, this recommendation establishes a $25 emergency room copayment for non-emergencies. It is expected that non-emergency visits will drop by 7.5%. The copayment will be effective October 1, 2009.		
Requirements	**($3,652,584)**	**($5,382,448)**
Receipts	**($2,378,928)**	**($3,522,812)**
Appropriation	**($1,273,656)**	**($1,859,636)**
3. Freeze Provider Inflationary Increases in FY 2009-10		
This recommendation is to freeze provider inflationary increases in FY 2009-10. The freeze applies to all public and private providers except for federally qualified health centers, rural health centers, school-based and school-linked health centers, state institutions, hospital outpatient, pharmacy, and the non-inflationary components of the case-mix reimbursement system for skilled nursing facilities.		
Requirements	**($210,721,023)**	**($224,723,582)**
Receipts	**($136,968,665)**	**($147,081,585)**
Appropriation	**($73,752,358)**	**($77,641,997)**

4. **Continue Provider Inflationary Rate Freeze from FY 2008-09**

The General Assembly reduced provider inflationary rates by 67% during the 2008 Session. The division, through a budget flexibility special provision, reduced the rates by an additional 33% on a one-time basis. This recommendation continues the 33% reduction that maintains the rates at current levels.

Requirements	**($79,074,677)**	**($86,871,440)**
Receipts	**($51,398,540)**	**($56,857,358)**
Appropriation	**($27,676,137)**	**($30,014,082)**

5. **Modify Private Duty Nursing Benefits**

A reduction to the private duty nursing budget based on medical policy changes currently under review by the Physician Advisory Group is recommended. The changes will make the medical policy similar to other states' medical policies. October 1, 2009 is the expected implementation date.

Requirements	**($5,924,645)**	**($7,899,527)**
Receipts	**($3,858,721)**	**($5,170,240)**
Appropriation	**($2,065,924)**	**($2,729,287)**

6. **Change Physical Therapy (PT), Occupational Therapy (OT), and Speech Therapy (ST) Benefits**

This recommendation is to implement changes to PT, OT, and ST benefits to ensure appropriate utilization of services. The savings generated are estimated to be 14% of projected expenditures. The changes are expected to be implemented on October 1, 2009.

Requirements	**($7,035,042)**	**($9,966,310)**
Receipts	**($4,581,923)**	**($6,522,950)**
Appropriation	**($2,453,119)**	**($3,443,360)**

7. **Modify Personal Care Services Benefits**

This reduction changes personal care service benefits to reduce overutilization of services. The savings generated are estimated to be 15% of projected expenditures. The changes are expected to be implemented on October 1, 2009.

Requirements	**($40,695,904)**	**($57,191,831)**
Receipts	**($26,505,242)**	**($37,432,054)**
Appropriation	**($14,190,662)**	**($19,759,777)**

8. **Enhance Third Party Liability Recoveries and Cost Avoidance**

It is recommended that third party liability activities through better utilization of technology and improving the case selection process be implemented in order to increase collections and cost avoid expenses in the Medicaid program. It is estimated that these efforts will save about 1% of the total amount of funds recovered and cost avoided each year.

Requirements	**($13,780,432)**	**($14,654,807)**
Receipts	**($8,957,281)**	**($9,591,571)**
Appropriation	**($4,823,151)**	**($5,063,236)**

9. **Implement False Claims Act**

It is recommended that state legislation for Medicaid fraud and abuse be strengthened to increase the amount of recoveries from these types of cases. The federal Deficit Reduction Act of 2005 allowed states to receive a 10% increase in the amount they retain from fraud and abuse recoveries if they implement legislation stringent enough to meet federal False Claims Act standards. The 10% bonus is expected to generate about $2.4 million annually. Of the amount collected, $176,068 will be used to support 5 positions at the Attorney General's Office to implement the act. The net collections will be offset by a reduction to General Fund appropriations.

Requirements	**-**	**-**
Receipts	**-**	**$2,229,757**
Appropriation	**-**	**($2,229,757)**

Total Recommended Reductions

	2009-10	2010-11
Recurring		
Requirements	($420,509,383)	($494,140,056)
Receipts	(273,483,112)	(321,184,911)
Appropriation	($147,026,271)	($172,955,145)
Positions	-	-
Nonrecurring		
Requirements	-	-
Receipts	-	-
Appropriation	-	-
Positions	-	-

Expansion

	2009-10	2010-11
1. Legal Positions in the Attorney General's Office		
The Governor recommends nonrecurring funds for four time-limited attorney II positions at the Attorney General's Office. During the 2008 Session, funding was provided for one year for these positions to help with the backlog of Community Support appeals cases at the Office of Administrative Hearings. The Community Support caseload continues to be high; therefore, funding is recommended for one additional year. The positions will be funded through a contract with the Department of Health and Human Services.		
Requirements - Nonrecurring	**$331,132**	-
Receipts - Nonrecurring	**$165,566**	-
Appropriation - Nonrecurring	**$165,566**	-
2. Medicaid Appeals Process		
The Governor recommends nonrecurring funds to continue the employment of temporary hearing officers in the Division of Medical Assistance to help with the backlog of Community Support appeals cases. The division received nonrecurring funds during the 2008 session to reduce the backlog; however, the continuing high workload necessitates funding for one more year.		
Requirements - Nonrecurring	**$476,280**	-
Receipts - Nonrecurring	**$238,140**	-
Appropriation - Nonrecurring	**$238,140**	-

Total Recommended Expansion

	2009-10	2010-11
Recurring		
Requirements	-	-
Receipts	-	-
Appropriation	-	-
Positions	-	-

Nonrecurring		
Requirements	$807,412	-
Receipts	403,706	-
Appropriation	$403,706	-
Positions	-	-

Total Recommended Adjustments for Division of Medical Assistance (14445) 2009-11

	2009-10	2010-11
Recurring		
Requirements	($420,509,383)	($494,140,056)
Receipts	(273,483,112)	(321,184,911)
Appropriation	($147,026,271)	($172,955,145)
Positions	-	-
Nonrecurring		
Requirements	$807,412	-
Receipts	403,706	-
Appropriation	$403,706	-
Positions	-	-
Total Appropriation Adjustments	($146,622,565)	($172,955,145)
Total Position Adjustments	-	-

Governor's Recommended Adjustments to Base Budget

NC Health Choice (14446)

Recommended General Fund Budget and Positions

	2009-10	2010-11
Base Budget		
Requirements	$264,487,056	$264,487,056
Receipts	$195,697,428	$195,697,428
Appropriation	$68,789,628	$68,789,628
Adjustments		
Requirements	$23,196,608	$78,851,943
Receipts	$19,107,984	$63,134,568
Appropriation	$4,088,624	$15,717,375
Total		
Requirements	$287,683,664	$343,338,999
Receipts	$214,805,412	$258,831,996
Recommended Appropriation	$72,878,252	$84,507,003
Positions		
Base Budget Positions	1.000	1.000
Reductions	-	-
Expansion	5.000	5.000
Recommended Positions	6.000	6.000

Appropriation Items -- Recommended Adjustments

Reductions

	2009-10	2010-11
1. Reduce Operating Expenses		
This recommendation reduces various operating accounts within the administration budget that have been unspent for at least 5 years.		
Requirements	**($96,509)**	**($96,509)**
Receipts	**($72,864)**	**($72,864)**
Appropriation	**($23,645)**	**($23,645)**
2. Establish/Increase Emergency Room Copayment for Non-emergency Visits		
In order to reduce unnecessary visits to the emergency room, it is recommended that a $25 copayment for non-emergency visits to the emergency room for children from families with incomes between 100%-150% of the federal poverty guidelines be established and that the current $20 copayment be increased to $25 for children from families with incomes between 150%-200% of the federal poverty guidelines. Implementation is expected on October 1, 2009.		
Requirements	**($891,702)**	**($1,314,012)**
Receipts	**($674,037)**	**($996,284)**
Appropriation	**($217,665)**	**($317,728)**

Total Recommended Reductions

	2009-10	2010-11
Recurring		
Requirements	($988,211)	($1,410,521)
Receipts	(746,901)	(1,069,148)
Appropriation	($241,310)	($341,373)
Positions	-	-
Nonrecurring		
Requirements	-	-
Receipts	-	-
Appropriation	-	-
Positions	-	-

Expansion

	2009-10	2010-11

1. State Children's Health Insurance Program (SCHIP) Expansion and Transition

The Governor recommends additional funds to expand SCHIP to approximately 8,000 additional children each year in the FY 2009-11 biennium. Enrollment is projected to be 145,755 children at the end of June 2010 and 153,755 children at the end of June 2011. In addition, the Governor recommends funding for five positions and contractual services to transition all administrative oversight of SCHIP from the State Heath Plan to the Division of Medical Assistance by July 1, 2010. Additional funding to support these items comes from the NC Kids' Care reserve ($7,000,000).

Requirements	**$24,184,819**	**$80,262,464**
Receipts	**$19,854,885**	**$64,203,716**
Appropriation	**$4,329,934**	**$16,058,748**
Positions	**5.000**	**5.000**

Total Recommended Expansion

	2009-10	2010-11
Recurring		
Requirements	$24,184,819	$80,262,464
Receipts	19,854,885	64,203,716
Appropriation	$4,329,934	$16,058,748
Positions	5.000	5.000
Nonrecurring		
Requirements	-	-
Receipts	-	-
Appropriation	-	-
Positions	-	-

Total Recommended Adjustments for
NC Health Choice (14446)
2009-11

	2009-10	2010-11
Recurring		
Requirements	$23,196,608	$78,851,943
Receipts	19,107,984	63,134,568
Appropriation	$4,088,624	$15,717,375
Positions	5.000	5.000
Nonrecurring		
Requirements	-	-
Receipts	-	-
Appropriation	-	-
Positions	-	-
Total Appropriation Adjustments	$4,088,624	$15,717,375
Total Position Adjustments	5.000	5.000

Governor's Recommended Adjustments to Base Budget

Divisions of Services for the Blind, Deaf, and Hard of Hearing (14450)

Recommended General Fund Budget and Positions

	2009-10	2010-11
Base Budget		
Requirements	$33,435,484	$33,533,679
Receipts	$21,730,962	$21,770,215
Appropriation	$11,704,522	$11,763,464
Adjustments		
Requirements	$1,787,894	$1,689,699
Receipts	$2,082,344	$2,043,090
Appropriation	($294,450)	($353,391)
Total		
Requirements	$35,223,378	$35,223,378
Receipts	$23,813,306	$23,813,305
Recommended Appropriation	$11,410,072	$11,410,073
Positions		
Base Budget Positions	320.000	320.000
Reductions	-	-
Expansion	-	-
Recommended Positions	320.000	320.000

Appropriation Items -- Recommended Adjustments

Reductions

		2009-10	2010-11
1. **Reduce Operating Budget**			
This recommendation reduces the operating budgets that do not impact the division's ability to carry out programs and services for the Deaf and Hard of Hearing Regional Centers, which represents an 8% reduction to the current budget.			
	Requirements	**($32,431)**	**($32,431)**
	Receipts	**-**	**-**
	Appropriation	**($32,431)**	**($32,431)**
	Positions	**-**	**-**
2. **Replace State Funds with Federal Receipts**			
This recommendation replaces state funds with federal receipts by budgeting additional funds from the Basic Support Vocational Rehabilitation Grant.			
	Requirements	**-**	**-**
	Receipts	**$150,000**	**$150,000**
	Appropriation	**($150,000)**	**($150,000)**
	Positions	**-**	**-**
3. **Remove Inflationary Increases**			
This recommendation removes inflationary increases from the continuation budget for the Medical Eye Care and Rehabilitation Services Basic Support Programs.			
	Requirements	**($188,256)**	**($286,451)**
	Receipts	**($76,237)**	**($115,491)**
	Appropriation	**($112,019)**	**($170,960)**
	Positions	**-**	**-**

Total Recommended Reductions

	2009-10	2010-11
Recurring		
Requirements	($220,687)	($318,882)
Receipts	73,763	34,509
Appropriation	($294,450)	($353,391)
Positions	-	-
Nonrecurring		
Requirements	-	-
Receipts	-	-
Appropriation	-	-
Positions	-	-

Expansion

	2009-10	2010-11
1. Federal Recovery Funds for Division of Services for the Blind (DSB)		
The Governor recommends budgeting federal funds available through the American Reinvestment and Recovery Act in the amount of $2,974,779 for Vocational Rehabilitation Services and $1,042,383 for the Independent Living Program (Older Blind). The funding availability dates are undetermined. DSB proposes to use vocational rehabilitation services funds for DSB consumers involved in vocational and postsecondary training programs, an employment aid campaign to reach prospective DSB consumers who are unfamiliar with DSB services, and technology updates to a new case management and data collection system that is scheduled to be implemented within the next biennium. Funds for the Independent Living Program will provide independent skills training to people over 55 years of age who have lost vision and technology updates to a new case management data base collection system once the system has been implemented.		
Requirements - Nonrecurring	**$2,008,581**	**$2,008,581**
Receipts - Nonrecurring	**$2,008,581**	**$2,008,581**
Appropriation - Nonrecurring	**-**	**-**

Total Recommended Expansion

	2009-10	2010-11
Recurring		
Requirements	-	-
Receipts	-	-
Appropriation	-	-
Positions	-	-
Nonrecurring		
Requirements	$2,008,581	$2,008,581
Receipts	2,008,581	2,008,581
Appropriation	-	-
Positions	-	-

Total Recommended Adjustments for Divisions of Services for the Blind, Deaf, and Hard of Hearing (14450) 2009-11

	2009-10	2010-11
Recurring		
Requirements	($220,687)	($318,882)
Receipts	73,763	34,509
Appropriation	($294,450)	($353,391)
Positions	-	-
Nonrecurring		
Requirements	$2,008,581	$2,008,581
Receipts	2,008,581	2,008,581
Appropriation	-	-
Positions	-	-
Total Appropriation Adjustments	($294,450)	($353,391)
Total Position Adjustments	-	-

Governor's Recommended Adjustments to Base Budget

Division of Mental Health/Developmental Disabilities/Substance Abuse Services (14460)

Recommended General Fund Budget and Positions

	2009-10	2010-11
Base Budget		
Requirements	$1,517,811,814	$1,534,069,649
Receipts	$698,198,194	$699,126,472
Appropriation	$819,613,620	$834,943,177
Adjustments		
Requirements	($17,123,040)	($37,016,519)
Receipts	$307,467	$755,993
Appropriation	($17,430,507)	($37,772,512)
Total		
Requirements	$1,500,688,774	$1,497,053,130
Receipts	$698,505,661	$699,882,465
Recommended Appropriation	$802,183,113	$797,170,665
Positions		
Base Budget Positions	11,788.430	11,911.930
Reductions	(222.000)	(345.500)
Expansion	174.750	-
Recommended Positions	11,741.180	11,566.430

Appropriation Items -- Recommended Adjustments

Reductions

	2009-10	2010-11
1. Operating Accounts Reduction		
It is recommended that the operating accounts for the division's central office ($250,000) and maintenance units ($1,000,000) be reduced. The reductions represent an approximate 1.5% reduction to central office and a 5.8% reduction to the maintenance units.		
Requirements	**($1,325,269)**	**($1,325,269)**
Receipts	**($75,269)**	**($75,269)**
Appropriation	**($1,250,000)**	**($1,250,000)**
2. Close Two 25 Bed Units at Broughton and Cherry Hospitals		
Through the combined efforts of the State, local governments, and private entities, a total of 174 local psychiatric inpatient beds have been created during the past year. With a continued investment in local inpatient bed capacity and a long term goal of relying on state psychiatric hospitals for longer term care, it is recommended that 25 adult beds be eliminated at both Broughton and Cherry Hospitals.		
Requirements	**($6,291,100)**	**($6,291,100)**
Receipts	**($263,629)**	**($263,629)**
Appropriation	**($6,027,471)**	**($6,027,471)**
Positions	**(102.000)**	**(102.000)**
3. Increase Patient Receipts at Alcohol, Drug Abuse Treatment Centers		
Due to the expanded bed capacity of the division's three alcohol, drug abuse treatment centers, it is recommended that patient receipts be budgeted to the anticipated level of collection. The revenues will allow for a corresponding reduction in General Fund appropriation and will not affect the level of service delivery.		
Requirements	**-**	**-**
Receipts	**$662,867**	**$1,127,895**
Appropriation	**($662,867)**	**($1,127,895)**

4. **Close Wright and Whitaker Schools**

This recommendation closes Wright (Durham) and Whitaker (Butner) Schools effective December 31, 2009. The schools provide children and adolescents ages 6-12 and 13-17, respectively, residential based treatment and training for the emotionally and behaviorally disturbed. Last year, the schools collectively served fewer than 100 students. Due to the condition of the facilities, neither program qualifies for participation in the Medicaid Program. However, the children and adolescents, who are typically Medicaid eligible, will be transitioned to community settings where the cost of care can be shared with the federal government.

Requirements	**($2,906,493)**	**($5,812,986)**
Receipts	**($16,502)**	**($33,004)**
Appropriation	**($2,889,991)**	**($5,779,982)**
Positions	**(98.000)**	**(98.000)**

5. **Adjust Cherry Staffing Increases From The Continuation Budget**

In anticipation of the opening of the replacement for Cherry Hospital, scheduled for October 2011, an operating reserve was included in the recommended continuation budget. In view of the recommendation to downsize state psychiatric hosptial bed capacity, the goal of relying on hospitals for longer-term care, the continuing investment in community-based care, and the availability of federal recovery funds, it is recommended that the operating reserve be eliminated. Once the bed capacity of the replacement hospital has been determined, it is anticipated that any additional staffing requirements will be submitted to the General Assembly for its consideration during the 2010 short session.

Appropriation	**($810,049)**	**($4,195,178)**
Positions	**(19.000)**	**(140.500)**

6. **Federal Recovery Funds for Psychiatric Hospitals' Electronic Health Record**

This recommendation reduces funding included in the Recommended Continuation Budget for creating the electronic health record (EHR) at Central Region and Cherry Hospitals. It is anticipated that federal recovery funds will be available to support the development of hospitals' technology infrastructure. The recommendation retains equipment funding for Cherry Hospital ($1,700,000 for FY 2010 and $2,421,316 for FY 2011).

Appropriation - Nonrecurring	**($21,060,455)**	**($31,662,312)**
Positions	**(3.000)**	**(5.000)**

Total Recommended Reductions

	2009-10	2010-11
Recurring		
Requirements	($11,332,911)	($17,624,533)
Receipts	307,467	755,993
Appropriation	($11,640,378)	($18,380,526)
Positions	(222.000)	(345.500)
Nonrecurring		
Requirements	($21,060,455)	($31,662,312)
Receipts	-	-
Appropriation	($21,060,455)	($31,662,312)
Positions	-	-

Expansion

	2009-10	2010-11
1. **Crisis Services, Local Inpatient Bed Capacity**		
The Governor recommends continued investment in the local crisis services system by purchasing local inpatient bed capacity. Local inpatient care affords clients the opportunities to receive services in their home community and better integration of care, and allows state psychiatric hospitals to begin focusing their mission on long term care. Funding provided for FY 2009 purchased approximately 76 local inpatient beds. This request will grow the local capacity by 111 beds.		
Appropriation	**$11,945,326**	**$11,945,326**
2. **Dorothea Dix Overflow Unit**		
The Governor recommends funding to maintain inpatient bed capacity during the transition of state psychiatric hospitals downsizing and the continued development of local inpatient bed capacity. The 36 bed overflow unit will be operated at Dorothea Dix Hospital and will be available for clients statewide. Funding will allow the unit to become operational December 2009. The future need of the unit for one additional year will be evaluated by the department in mid February 2010. In addition, it is anticipated that Wake County will contract with the department to operate 24 inpatient beds to serve county residents during this transition period.		
Appropriation - Nonrecurring	**$3,000,000**	-
Positions	**174.750**	-

3. **Training and Workforce Development Initiatives**

To improve the quality of care provided to clients in the division's residential facilities, the Governor recommends enhancing training at state facilities. Facilities' staff will receive training on current treatment modalities and compliance requirements. Further, it is recommended that the Psychiatric Nurse Practioner Program be expanded. The program, which is administrered through the UNC School of Nursing, provides scholarship support to nurses who commit to serve in underserved areas of the state.

Appropriation	**$325,000**	**$325,000**

Total Recommended Expansion

	2009-10	2010-11
Recurring		
Requirements	$12,270,326	$12,270,326
Receipts	-	-
Appropriation	$12,270,326	$12,270,326
Positions	174.750	-
Nonrecurring		
Requirements	$3,000,000	-
Receipts	-	-
Appropriation	$3,000,000	-
Positions	-	-

Total Recommended Adjustments for Division of Mental Health/Developmental Disabilities/Substance Abuse Services (14460) 2009-11

	2009-10	2010-11
Recurring		
Requirements	$937,415	($5,354,207)
Receipts	307,467	755,993
Appropriation	$629,948	($6,110,200)
Positions	(47.250)	(345.500)
Nonrecurring		
Requirements	($18,060,455)	($31,662,312)
Receipts	-	-
Appropriation	($18,060,455)	($31,662,312)
Positions	-	-
Total Appropriation Adjustments	($17,430,507)	($37,772,512)
Total Position Adjustments	(47.250)	(345.500)

Governor's Recommended Adjustments to Base Budget

Division of Health Service Regulation (14470)

Recommended General Fund Budget and Positions

	2009-10	2010-11
Base Budget		
Requirements	$58,120,089	$58,146,488
Receipts	$38,848,168	$38,869,229
Appropriation	$19,271,921	$19,277,259
Adjustments		
Requirements	($172,832)	($172,832)
Receipts	$1,085,596	$1,085,596
Appropriation	($1,258,428)	($1,258,428)
Total		
Requirements	$57,947,257	$57,973,656
Receipts	$39,933,764	$39,954,825
Recommended Appropriation	$18,013,493	$18,018,831
Positions		
Base Budget Positions	530.000	530.000
Reductions	(2.000)	(2.000)
Expansion	-	-
Recommended Positions	528.000	528.000

Appropriation Items -- Recommended Adjustments

Reductions

	2009-10	2010-11
1. Increase Fees for License Renewals		
This recommendation increases licensing fees to health care facilities regulated by the division and reducing general fund appropriation in a similar amount. The recommendation shares the cost of administering the licensure program with facilities.		
Requirements	-	-
Receipts	**$1,093,788**	**$1,093,788**
Appropriation	**($1,093,788)**	**($1,093,788)**
2. Eliminate Two Vacant Positions in the Medical Facilities Construction Section		
This recommendation eliminates two vacant positions in the Medical Facilities Construction Section, which review construction plans, make on-site inspections, and provide consultation to ensure compliance with federal and state standards. The reduction will reduce the number of section staff to 63 full time equivalent positions (FTEs).		
Requirements	**($172,832)**	**($172,832)**
Receipts	**($8,192)**	**($8,192)**
Appropriation	**($164,640)**	**($164,640)**
Positions	**(2.000)**	**(2.000)**

Total Recommended Reductions

	2009-10	2010-11
Recurring		
Requirements	($172,832)	($172,832)
Receipts	1,085,596	1,085,596
Appropriation	($1,258,428)	($1,258,428)
Positions	(2.000)	(2.000)
Nonrecurring		
Requirements	-	-
Receipts	-	-
Appropriation	-	-
Positions	-	-

Total Recommended Adjustments for Division of Health Service Regulation (14470) 2009-11

	2009-10	2010-11
Recurring		
Requirements	($172,832)	($172,832)
Receipts	1,085,596	1,085,596
Appropriation	($1,258,428)	($1,258,428)
Positions	(2.000)	(2.000)
Nonrecurring		
Requirements	-	-
Receipts	-	-
Appropriation	-	-
Positions	-	-
Total Appropriation Adjustments	($1,258,428)	($1,258,428)
Total Position Adjustments	(2.000)	(2.000)

Governor's Recommended Adjustments to Base Budget

Division of Vocational Rehabilitation (14480)

Recommended General Fund Budget and Positions

	2009-10	2010-11
Base Budget		
Requirements	$143,161,516	$143,924,813
Receipts	$96,742,773	$97,162,106
Appropriation	$46,418,743	$46,762,707
Adjustments		
Requirements	$2,408,968	$1,641,025
Receipts	$6,732,276	$6,295,239
Appropriation	($4,323,308)	($4,654,214)
Total		
Requirements	$145,570,484	$145,565,838
Receipts	$103,475,049	$103,457,345
Recommended Appropriation	$42,095,435	$42,108,493
Positions		
Base Budget Positions	1,054.700	1,054.700
Reductions	-	-
Expansion	-	-
Recommended Positions	1,054.700	1,054.700

Appropriation Items -- Recommended Adjustments

Reductions

	2009-10	2010-11
1. Reduce Basic Support Case Services		
This recommendation reduces state appropriations for non-medical consumer purchases. This reduction is anticipated to have minimal impact on service levels as the number of clients has steadily declined over the past four years from 58,580 in FY 2005 to 49,082 in FY 2008.		
Requirements	**($3,612,025)**	**($3,612,025)**
Receipts	**-**	**-**
Appropriation	**($3,612,025)**	**($3,612,025)**
Positions	**-**	**-**
2. Remove Inflationary Increases		
This recommendation reduces state funds by removing inflationary items such as electrical, natural gas, water and sewer, and medical and non-medical services from the continuation budget.		
Requirements	**($1,707,288)**	**($2,475,230)**
Receipts	**($996,005)**	**($1,433,041)**
Appropriation	**($711,283)**	**($1,042,189)**
Positions	**-**	**-**

Total Recommended Reductions

	2009-10	2010-11
Recurring		
Requirements	($5,319,313)	($6,087,255)
Receipts	(996,005)	(1,433,041)
Appropriation	($4,323,308)	($4,654,214)
Positions	-	-
Nonrecurring		
Requirements	-	-
Receipts	-	-
Appropriation	-	-
Positions	-	-

Expansion

	2009-10	2010-11
1. Federal Recovery Funds for Vocational Rehabilitation Services (DVRS)		
The Governor recommends budgeting federal funds available through the American Reinvestment and Recovery Act to support the Vocational Rehabilitation Services Program in the amount of $15,054,221 through September 30, 2010. These one-time funds are used to support expenditures, such as vocational assessment, client transportation, client training and education, on the job training, and client entrepreneurial startup. An estimated amount of $402,340 will be available for the Independent Living Program, which will be shared between DVRS and the Blind Services.		
Requirements - Nonrecurring	**$7,728,281**	**$7,728,280**
Receipts - Nonrecurring	**$7,728,281**	**$7,728,280**
Appropriation - Nonrecurring	**-**	**-**

Total Recommended Expansion

	2009-10	2010-11
Recurring		
Requirements	-	-
Receipts	-	-
Appropriation	-	-
Positions	-	-
Nonrecurring		
Requirements	$7,728,281	$7,728,280
Receipts	7,728,281	7,728,280
Appropriation	-	-
Positions	-	-

Total Recommended Adjustments for
Division of Vocational Rehabilitation (14480)
2009-11

	2009-10	2010-11
Recurring		
Requirements	($5,319,313)	($6,087,255)
Receipts	(996,005)	(1,433,041)
Appropriation	($4,323,308)	($4,654,214)
Positions	-	-
Nonrecurring		
Requirements	$7,728,281	$7,728,280
Receipts	7,728,281	7,728,280
Appropriation	-	-
Positions	-	-
Total Appropriation Adjustments	($4,323,308)	($4,654,214)
Total Position Adjustments	-	-

MINUTES

HEALTH AND HUMAN SERVICES
APPROPRIATIONS SUBCOMMITTEE

THURSDAY MARCH 19, 2009
8:30AM
ROOM 643 LEGISLATIVE OFFICE BUILDING

The Joint Appropriations Subcommittee on Health and Human Services met Thursday March 19, 2009 at 8:30 am in Room 643 of the Legislative Office Building. Representative Verla Insko presided. Rep. Insko called the meeting to order and introduced the Sergeant at Arms Staff and pages who would be assisting with the meeting.

The following members were present; Senator's William Purcell, Doug Berger, Martin Nesbitt, Blake Harris, Debbie Clary and James Forrester and Representative's, Jean Farmer-Butterfield, William Brisson, and Wil Neumann. Staff members from the Fiscal Research Division present were Melanie Bush, Lee Dixon, Lisa Hollowell, and Bryce Ball. A hard copy of the roll denoting members present is attached to the minutes along with a copy of the visitor's registration and agenda sheet.

Rep. Insko recognized Jennifer Hoffman, Assistant State Budget Officer to explain the Presentation of the Governor's Budget for DHHS. Rep. Insko then recognized Committee members for questions of Ms. Hoffman. Following the discussion, Rep. Insko then recognized Bryce Ball, Fiscal Research Division to present and explain TANF Block Grant Overview. After the presentation, members of the Committee were recognized for questions. Following these discussions, the meeting was adjourned at 9:50 a.m. A copy of all presentations is attached to these minutes.

Representative Verla Insko
Chair

Gina Insko
Committee Assistant

JOINT APPROPRIATIONS SUBCOMMITTEE FOR HEALTH AND HUMAN SERVICES

AGENDA

March 19, 2009, 8:30
Legislative Office Building
Room 643

Senate
Sen. William Purcell
Sen. Doug Berger
Sen. Charlie Dannelly
Sen. Martin Nesbitt, Jr.
Sen. Harris Blake
Sen. Debbie Clary
Sen. James Forrester

House
Rep. Beverly Earle
Rep. Verla Insko
Rep. Bob England
Rep. Jeffrey Barnhart
Rep. Jean Farmer-Butterfield
Rep. William Brisson
Rep. Justin Burr
Rep. Pearl Burris-Floyd
Rep. Nelson Dollar
Rep. Wil Neumann
Rep. Randy Stewart

Chairs

Senator William Purcell
Senator Doug Berger

Representative Beverly Earle
Representative Verla Insko
Representative Bob England

Presentation of Governor's Budget For DHHS

Ms. Jennifer Hoffman,
Assistant State Budget Officer

Ms. Pam Kilpatrick, Budget Analyst

Office of State Budget and Management

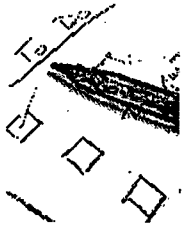
TANF Block Grant

Mr. Bryce Ball, Fiscal Analyst
North Carolina General Assembly

FY 2009-11 Presentation of Governor Perdue's Recommended Budget

Prepared by:
The Office of State Budget and Management
March 17, 2009

I. **Governor Perdue's Budget Priorities**
II. Summary of FY 2009-11 Budget
III. Recommendations by Subcommittee
IV. Economic and Revenue Update
V. Summary



Governor Perdue's Budget Priorities

- Growing North Carolina's Economy
- Improving Public Education
- Keeping Higher Education Accessible and Affordable
- Protecting Our Most Vulnerable Citizens
- Keeping Our Communities Safe
- Making Government More Efficient and Accountable
- Fiscal Responsibility

Budget Themes

- Truth-in-budgeting (payroll / enhanced flexibility)
- Targeted reduction approach
  - One size does not fit all
- Focus on protecting & preserving core services

Agenda

I. Governor Perdue's Budget Priorities

II. Summary of FY 2009-11 Budget

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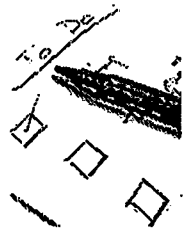
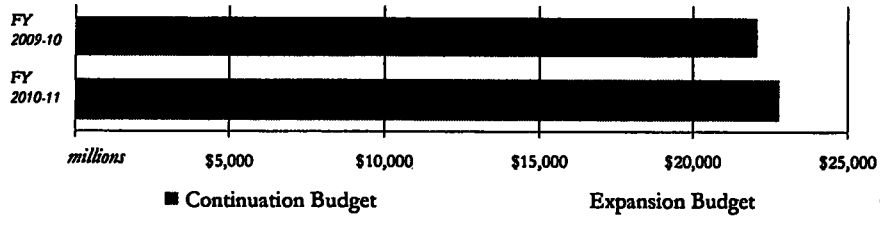
V. Summary



FY 2009-11 Initial Appropriation Requirements

	FY 2009-10	*FY 2010-11*
Continuation Budget (Includes Education Enrollment, Medicaid, State Health Plan, Retirement System Contribution, and Teacher Salary Step Increase)	$ 22,114	$ 22,815
+ Expansion Budget	$ 170	$ 123
Total	**$ 22,283**	**$ 22,938**

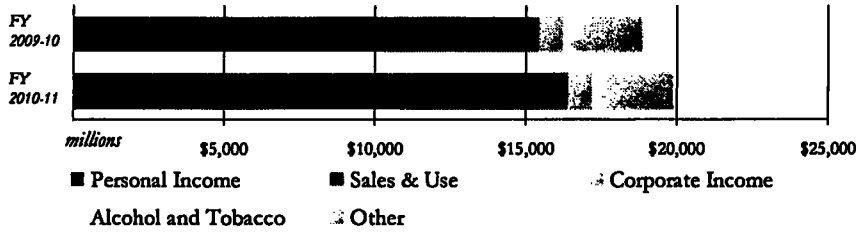
All figures in millions of dollars.



Consensus Baseline Revenue Forecast

	FY 2009-10	Change from 2008-09*	FY 2010-11	Change from 2008-09*
Personal Income	$ 10,385	-9%	$ 10,962	-4%
Sales & Use	$ 5,038	-6%	$ 5,400	0%
Corporate Income	$ 772	-35%	$ 824	-31%
Alcohol and Tobacco	$ 451	54%	$ 451	54%
Other Taxes and Revenue Sources	$ 2,215	-16%	$ 2,267	-14%
Total	**$ 18,862**	**-10%**	**$ 19,904**	**-5%**

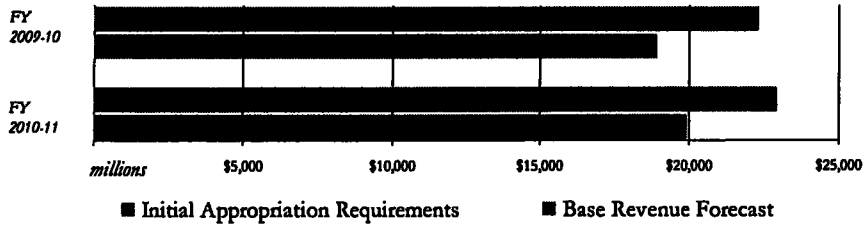
** Change from Budgeted FY 2008-09 Revenue. All figures in millions of dollars.*



Initial Requirements vs. Base Revenue

	FY 2009-10	FY 2010-11
Base Revenue Forecast	$ 18,862	$ 19,904
Initial Appropriation Requirements	$ 22,283	$ 22,938
Balance	**$(3,422)**	**$(3,034)**

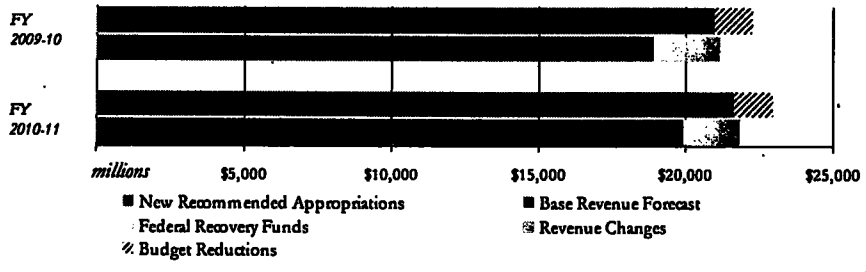
All figures in millions of dollars.



FY 2009-11: Measures to Balance

	FY 2009-10	*FY 2010-11*
Budget Reductions	(-) $ 1,302	(-) $ 1,289
Federal Recovery Funds	$ 1,714	$ 1,211
Revenue Changes	$ 580	$ 707
TOTAL Measures to Balance	**$3,596**	**$3,207**

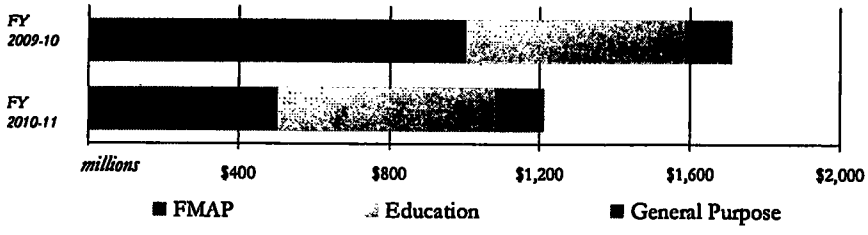
All figures in millions of dollars.



Federal Recovery Funds

	FY 2009-10	*FY 2010-11*
Federal Medicaid Assistance Program (FMAP)	$ 1,004	$ 501
Fiscal Stabilization – Education	$ 581	$ 581
Fiscal Stabilization – General Purpose	$ 129	$ 129
	$ 1,714	**$ 1,211**

All figures in millions of dollars.



Agenda

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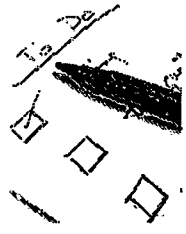
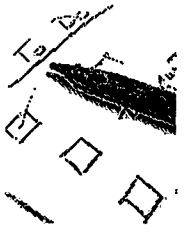


IV. Recommendations by Subcommittee

A. Education
B. Health and Human Services (HHS)
C. General Government/ Natural and Economic Resources/ Justice and Public Safety (GG/NER/JPS)
D. Infrastructure
E. Transportation
F. Statewide Reserves



Education: Budget Overview

	Revised FY 2008-09 [1]	*FY 2009-10* [2]	*% Change* [3]	*FY 2010-11* [2]	*% Change* [3]
Public Schools					
Requirements	$11,108	$11,226	1%	$11,377	2%
Receipts	$2,898	$3,214	11%	$3,213	11%
Appropriations	$8,210	$8,012	-2%	$8,164	-0.6%
UNC System					
Requirements	$4,019	$4,159	4%	$4,247	6%
Receipts	$1,292	$1,301	0.7%	$1,318	2%
Appropriations	$2,727	$2,858	5%	$2,929	7%
Community Colleges					
Requirements	$1,203	$1.293	8%	$1,345	12%
Receipts	$238	$266	12%	$277	17%
Appropriations	$965	$1,027	6%	$1,068	11%

All figures in millions of dollars.

1. Revised per Executive Order No. 6, 1/13/2009
2. Includes Teachers' Salary Step Increase
3. From FY 2008-09

Education: Enrollment Changes

	FY 2008-09	*FY 2009-10*	*% Change* [1]	*FY 2010-11*	*% Change* [2]
Public Schools	1,476,566	1,464,914	-0.8%	1,478,795	1%
UNC	191,489	196,194	2%	200,862	2%
Community Colleges	201,625	214,144	6%	225,614	5%

Figures are FTE/ADM.
1. *From FY 2008-09*
2. *From FY 2009-10*

Governor Perdue's Education Budget

- **Protects K-12**
  - Total public education spending (including federal recovery dollars) greater in FY 2009-10 than FY 2008-09
  - Enrollment is 0.8% lower
- Continues to **provide access to UNC system** for North Carolinians at reasonable and affordable cost
  - Fully funds enrollment growth and need-based financial aid
  - Does not recommend an increase in tuition
- Community college budget **focuses on strategic areas**
  - Ensure workforce development
  - Create jobs for the future
  - Does not increase tuition

Education: Budget Reductions

- **Total Reductions:** **$578 million**

- Public Education: $318 million
- UNC System: $196 million
- Community Colleges: $64 million

Major Reductions in Public Education

- Adjust DPI salaries and LEA benefits to 97%
  - More closely matches actual salary and benefit expenditures
- LEA flexibility reduction ($144 mm/year)
  - Allocated based upon average daily membership
  - Shall not directly impact classroom services
  - LEAs strongly encouraged to use federal recovery funds to mitigate this reduction

Major Reductions in Public Education (cont.)

- Reduce funding for textbooks ($38 mm, NR)
  - Due to delay in middle and high school math textbook adoption
  - LEAs will continue to have funds available to purchase remaining textbooks
- Reduce appropriation for technology fund ($4 mm/year, NR)
  - Federal recovery funds provide $16 million to be used for educational technology
  - Governor also recommends appropriation of the $18 million in fines held in escrow by the UNC System

Major Reductions in Public Education (cont.)

- Adjust financing for school bus replacement ($7.5 mm/year)
  - Replacement from 3 years to 4 years
  - Will not reduce number of buses scheduled for replacement over the biennium
- Eliminate Improving Student Accountability allotment ($38 mm/year)
  - LEAs are encouraged to use DSSF and federal recovery funds to mitigate this reduction

Major Reductions in the UNC System

- Adjust UNCGA salaries to 97% and UNC campus salaries to 98%
  - More closely matches actual salary expenditures
- Reduce UNC Hospital transfer due to their large fund balance ($10 mm/year for 2 years)
- Reduce Legislative Tuition Grant budget ($4 mm)
  - Consistent with reduction for the UNC campuses
  - State Contractual Scholarship Fund (need-based financial aid program for private colleges) is held harmless

Major Reductions in the UNC System (cont.)

- UNC GA flexibility reduction of 5% ($3 mm)
  - UNC System President and the UNC Board of Governors have flexibility to implement
- UNC campus flexibility reduction of 3.6% ($97 mm)
  - Make reductions in areas based upon interests of each campus

Major Reductions in NCCCS

- Adjust NCCCS Office salaries to 97% and college salaries to 98%
  - More closely matches actual salary expenditures
- Reduce/eliminate certain categorical allotments ($4 mm)
- Reduce supplemental multi-campus funding ($2 mm)
  - Colleges will continue to receive FTE funding for enrollment generated at these sites

Major Reductions in NCCCS (cont.)

- Restructure continuing education fee rates ($9 mm)
  - New sliding scale based upon length of each course
  - Will not reduce access to training for dislocated workers
- Community college flexibility reduction ($21 mm)
  - Shall not directly impact retraining for displaced workers or course offerings to high school students

Education: Budget Expansion Items

- **Total Expansion Items: $67 million**

- Public Education: $21 million
- UNC System: $28 million
- Community Colleges: $18 million

Expansion Highlights: Public Education

- **Provide $5 million** to:
  - Investigate and pilot **diagnostic assessments** in elementary grades
    - Ensure deficiencies in reading/math addressed before middle school
  - Replace standard course of study with a **21st century curriculum**
  - Develop a plan to **restructure the ABCs Accountability System**
  - Replace the current EOG and EOC tests with **assessments aligned with the new curriculum**
    - Using nationally normed assessments wherever possible

Expansion Highlights: Public Education (cont.)

- Increase funding for the statewide program that provides **tailored and sustained support to struggling schools and districts** ($3 mm)
- Continue **dropout prevention grant initiative** ($7 mm)
  - Addresses truancy, academic failure, and school transition
- Full funding for **additional 12 Learn and Earn schools** scheduled to open in the 2009-10 school year

Expansion Highlights: UNC System

- Full funding for **UNC Need-Based Financial Aid** ($23 mm)
  - Continue the expansion to ensure that all eligible students receive a grant
  - Will hold recipients harmless from increases in the cost of education
- Support ECU Brody School of Medicine's ability to **provide care for indigent patients** ($4 mm)

Expansion Highlights: NCCCS

- **JobsNOW**
  - **65 additional health faculty** targeted in areas with high shortage and waiting list of students ($5 mm)
  - **20 grants to colleges** for programs serving areas of major need in technical fields ($3 mm)
    - Transportation, engineering, industrial, military, construction, and green technology
  - **JobSupport** ($3 mm in federal recovery funds)
    - Meets child care, tuition, and transportation needs of displaced workers while they pursue retraining

Expansion Highlights: NCCCS (cont.)

- **Address equipment and technology needs** ($5 mm, R)
  - Reduce program waiting lists
  - Meet training needs
- **Enrollment growth reserve** ($3 mm)
  - Assists colleges experiencing enrollment growth > 5%

IV. Recommendations by Subcommittee

A. Education

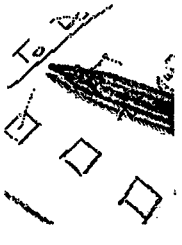
B. Health and Human Services (HHS)

C. General Government/ Natural and Economic Resources/ Justice and Public Safety (GG/NER/JPS)

D. Infrastructure

E. Transportation

F. Statewide Reserves



HHS: Budget Overview

	Revised FY 2008-09 [1]	FY 2009-10	% Change [2]	FY 2010-11	% Change [2]
Health and Human Services					
Requirements	$16,860	$17,848	6%	$18,537	10%
Receipts	$12,097	$12,563	4%	$12,988	7%
Appropriation	$4,763	$5,285	11%	$5,549	17%

All figures in millions of dollars.

1. Revised per Executive Order No. 6, 1/13/2009 *2. From FY 2008-09*

HHS: Budget Context

HHS Budget Drivers (before reductions/expansion)

- **Medicaid Forecast :**

  $497 million FY 2009-10
  $750 million FY 2010-11
  $1,247 million FYs 2009-11

- **MH/DD/SA** - $62 million continuation budget increase
  - Operating reserve for Cherry Hospital
  - Truth-in-budgeting increases

Major Reductions in HHS

Total General Fund Reductions:

– $274 million in FY 09-10

- Medicaid reductions - $147 mm (54%)
  - Freeze provider inflationary rate reductions ($101 mm)
  - Reduce prescription drug ($20 mm)
  - Modify personal care services ($14 mm)
- MH/DD/SA reductions -$33 mm (12%)
  - Close two 25 bed adult units Cherry/Broughton ($6 mm)
  - Close Wright and Whitaker Schools ($3 mm)
  - Remove IT reserve for Cherry/CRH ($21 mm)

Major Reductions in HHS (cont.)

Total General Fund Reductions:

– $274 million in FY 09-10

- Child Development reductions - $29 mm (10%)
  - Replace state w/federal for child care subsidy ($13 mm)
  - Reduce Smart Start on nonrecurring basis ($9 mm)
  - Replace state funds with federal for TEACH ($4 mm)
- Social Services reductions - $24 mm (9%)
  - Eliminate state funds for Work First Cash assistance ($7 mm)
  - Offset state funds with federal recovery funds ($11 mm)
  - Reduce REACH scholarship funds ($3 mm, NR &R)
- Truth-in-budgeting reform - $23 mm (8% of total)

HHS: Budget Expansion Items

Total General Fund Expansion Items:

– $22 million in FY 09-10

- **Increase access to health care** to children of working families & the uninsured
  - Expand SCHIP to 8,000 children ($4 mm)
  - Provide recurring funds for Health Net ($1 mm)
- **Support older adults & caregiver families**
  - Expand Home and Community Care Block Grant ($1 mm)
  - Provide recurring funds for Project CARE ($0.5 mm)

HHS: Budget Expansion Items

Total General Fund Expansion Items:

– $22 million in FY 09-10

- **Improve institutional and community-based resources** that provide services to the mentally ill
  - Crisis services-local inpatient bed capacity ($12 mm)
  - Training and workforce development ($0.3 mm)
  - Truth-in-budgeting adjustments ($30 mm)
  - Dorothea Dix Overflow Unit ($3 mm)
- **Other critical items** (Receipt-supported)
  - Medicaid Management Information System ($11 mm in prior year earned revenue)
  - Federal recovery funds for child care subsidy ($54 mm)

IV. Recommendations by Subcommittee

A. Education

B. Health and Human Services (HHS)

C. General Government/ Natural and Economic Resources/ Justice and Public Safety (GG/NER/JPS)

D. Infrastructure

E. Transportation

F. Statewide Reserves

GG/NER/JPS: Budget Overview

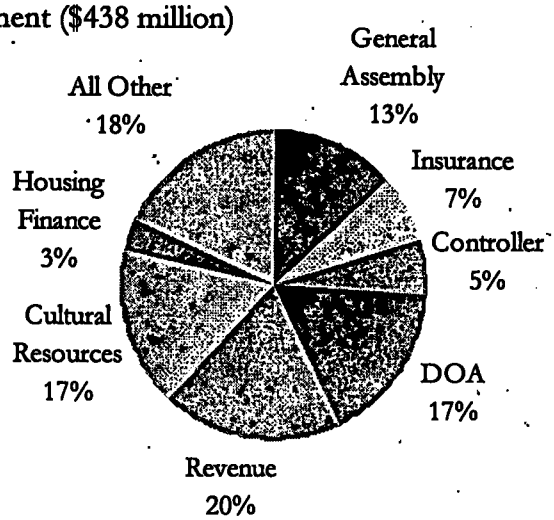
	FY 2008-09 [1]	*FY 2009-10*	*% Change* [2]	*FY 2010-11*	*% Change* [2]
General Government (GG)					
Requirements	$576	$563	-2%	$566	-2%
Receipts	$128	$125	-2%	$125	-2%
Appropriation	$448	$438	-2%	$440	-2%
Natural and Economic Resources (NER)					
Requirements	$753	$689	-9%	$670	-11%
Receipts	$214	$220	3%	$215	0.3%
Appropriation	$539	$469	-13%	$456	-15%
Justice and Public Safety (JPS)					
Requirements	$2,312	$2,437	5%	$2,433	5%
Receipts	$211	$235	11%	$210	-0.5%
Appropriation	$2,100	$2,202	5%	$2,223	6%

All figures in millions of dollars.

1. Revised per Executive Order No. 6, 1/13/2009 *2. From FY 2008-09*

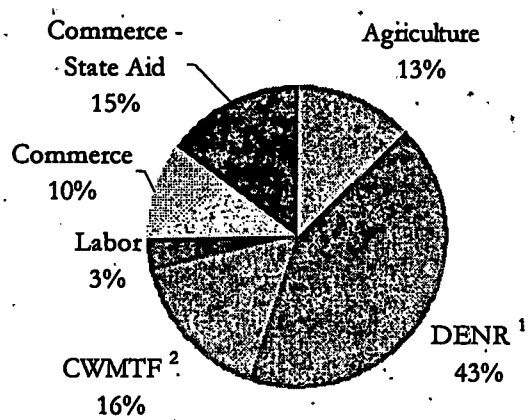
Allocation for General Government

- Allocation of FY 2009-10 Appropriation for General Government ($438 million)



Allocation for Natural and Economic Resources

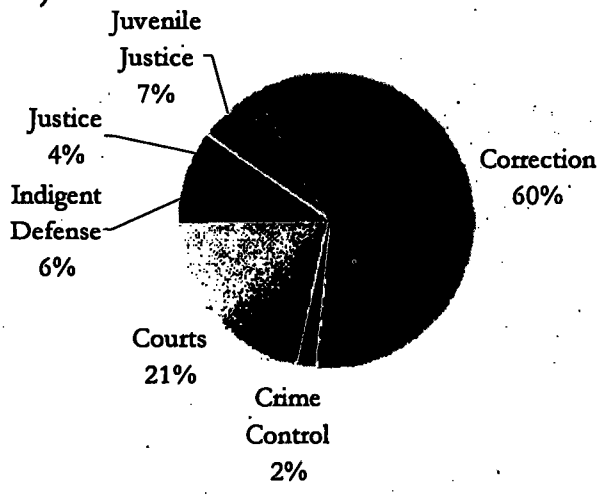
- Allocation of FY 2009-10 Appropriation for NER ($469 million)



1. Department of Environment and Natural Resources
2. North Carolina Clean Water Management Trust Fund

Allocation for Justice and Public Safety

- Allocation of FY 2009-10 Appropriation for JPS ($2,202 million)



GG/NER/JPS: Budget Reductions

- **Total Reductions:**

  FY 2009-10 $237 million

  FY 2010-11 $250 million

- Generally includes:
  - Payroll reductions to more closely match actual expenditures
  - Reductions to operating accounts agency-wide
  - Position eliminations
  - Fund-shifting various expenditures to receipt support
  - Reductions to pass-throughs at 7%

Other Reductions for General Government

- Reduction for the Volunteer Safety Workers' Compensation Fund ($3 mm, NR)
- Elimination of the Investigation Unit and Criminal Justice Planning Program for the State Capitol Police ($0.1 mm)
- Elimination of Grants Training Unit in the Office of the State Auditor ($0.3 mm)

Other Reductions for NER

- Reduction for the Clean Water Management Trust Fund ($25 mm, NR)
- Elimination of the BRIDGE Young Offenders Forest Conservation Program ($1 mm)
- Elimination of the Office of Environmental Education ($0.4 mm)

Other Reductions for JPS

- Elimination of the Sentencing Services Program ($3 mm)
- Elimination of the Support Our Students Program ($6 mm)
- Closure of Prison Facilities with High Operating Costs ($24 mm)
  - McCain Correctional Hospital
  - Wilmington Residential Facility for Women
  - Umstead, Guilford, Gates, Haywood, and Union Correctional Centers

GG/NER/JPS: Budget Expansion Items

- **Total Expansion:**
  FY 2009-10 $76 million
  FY 2010-11 $32 million

- Includes both state appropriation and funds to be allocated through the Federal Recovery and Reinvestment Act

Expansion Highlights for GG

- **Sustain military morale** and welfare grants to military installations ($1 mm)
- Begin planning efforts for the establishment of the **Justice for Sterilization Victims Foundation** ($0.25 mm)
- Support recurring resources needed to stabilize the **HR/Payroll system** ($2 mm over the biennium)

Expansion Highlights for NER

- Transform the **Main Street Program** ($3 mm/year)
  - Into a comprehensive economic development tool
  - Provides grants to communities to revitalize downtown areas
- Expand **economic development opportunities** ($9 mm)
- **Promote our state** ($2 mm)
  - A business and tourism destination
  - Better market our agriculture products throughout the US
- Maximize federal funding available for **water and sewer infrastructure improvements** ($29 mm)

Expansion Highlights for JPS

- **A comprehensive gang initiative** ($15 mm in federal recovery funds)
  - Statewide Taskforce ($0.2 mm/year)
  - Expand GangNet ($2 mm)
  - Gang Prevention and Intervention Pilot Program ($6 mm)
  - Evidence-based grants ($5 mm)
  - Additional Juvenile Court Counselors ($2 mm)

Expansion Highlights for JPS (cont.)

- **Enhance supervision of probationers/parolees** ($27 mm over the biennium, state and federal recovery funds)
  - Additional Officers, Supervisors, and Trainers ($9 mm/$11 mm)
  - improve recruitment and retention ($2 mm/year)
  - New Intake Officers ($1 mm)
  - Communications equipment ($1 mm)

Expansion Highlights for JPS (cont.)

- **Assist local law enforcement** ($6 mm in federal recovery funds)
  - Grants to purchase VIPER (interoperable communications) equipment ($5 mm)
  - Expedite methamphetamine and violent crime investigations ($0.5 mm)
  - Supplemental grants for the COPS Hiring and Recovery Program ($0.4 mm)

IV. Recommendations by Subcommittee

A. Education
B. Health and Human Services (HHS)
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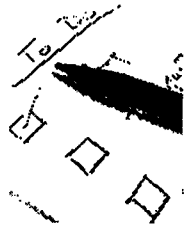


Infrastructure: Budget Overview

	FY 2008-09			FY 2009-10
	Authorized	*Certified-3/09*	*Difference*	*Recommended*
Capital Improvements				
Appropriations	$ 129	$ 23	$ (106)	$ 28
Repair & Renovation	$ 70	$ -	$ (70)	$ -
Special Indebtedness	$ 751	$ 696	$ (55)	$ -
General Obligation Bonds	$ 107	$ 107	$ -	$ -
	$ 1,056	$ 826	$ (231)	$ 28

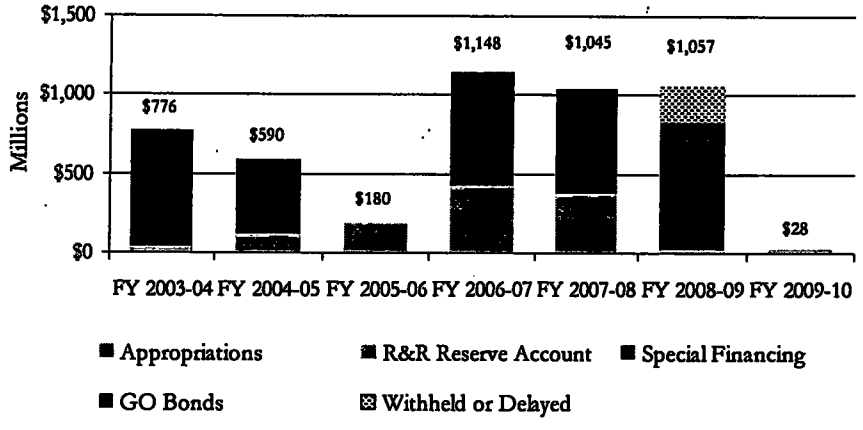
All figures in millions of dollars.

Infrastructure: Budget Overview

- Limited Capital Financing Due to Recession
  - **$28 Million** in Capital Appropriation
    - Water Resources Projects ($17.6 State Match - $83M Federal/Local Contribution)
    - Biomedical Research Imaging Center ($10M)
  - **No Funding for Repairs and Renovations Reserve**
  - **No Debt Financing** for FY 2009-10

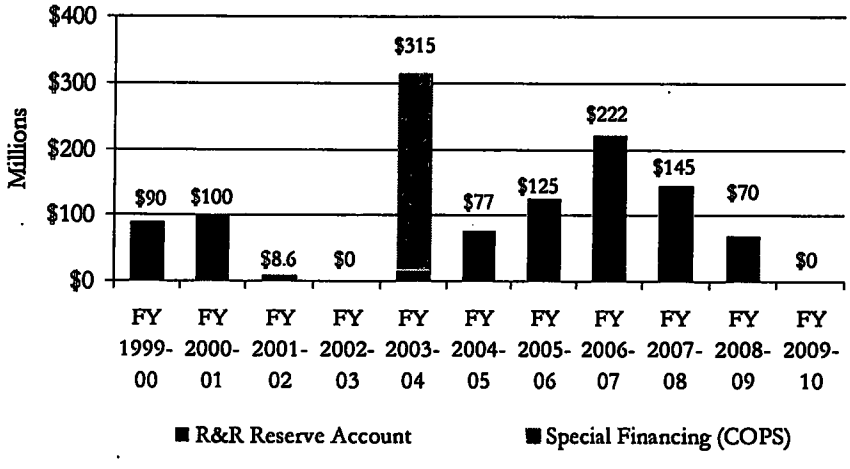
Infrastructure: Capital Funds

Authorized/Proposed Capital Funds, FY 2003-04 to FY 2009-10



Infrastructure: Repair & Renovation Funding

Repair & Renovation Funding, FY 1999-2000 to FY 2009-10



Infrastructure: Funding Plan

- Biomedical Research Imaging Center – Funding Plan
  - $20.5 million previously funded (GF)
  - $10 million 2009-10 GF Appropriation
  - $229.5 million 2010-13 GO Bonds
    - Debt payments shared:
      - 70% General Fund
      - 15% UNC-Chapel Hill
      - 15% UNC-Hospitals

Infrastructure: Debt Affordability

- Debt Affordability Study shows **limited capacity for new debt**

Net Tax-Supported Debt Capacity Using 4.0% Target Ratio (millions)

	FY 2009-10	*FY 2010-11*	*FY 2011-12*	*FY 2012-13*	*FY 2013-14*
Total Additional Debt Capacity per Year	$188	$14	$0.6	$222	$548
Debt Capacity Available Each and Every Year	$50	$50	$50	$50	$50

Source: Debt Affordability Study, February 1, 2009

Infrastructure: Debt Affordability

- Future Revenues are Uncertain
- Debt Reduces Future Budget Flexibility
- Budget Flexibility is Needed in Times of Budget Shortfalls
- Net Tax-Supported Debt Service for Existing Debt Authorizations:
  - $695 million in 2009-10
  - $753 million in 2010-11
  - Peaks in 2012 at $787 million

Infrastructure: Economic Stimulus

- Debt authorized from 2005-2009 provides economic stimulus this year
  - $2.8 billion authorized for capital projects
  - Many projects are under construction
  - $400 million to be issued in April 2009
    - Will be spent within about 8 months
    - Additional bonds will be issued late fall
  - $1.6 Billion still to be issued
- New Debt Authorizations
  - Lag time for economic impact
  - Planning Funds withheld in 2008-09 limit projects

IV. Recommendations by Subcommittee

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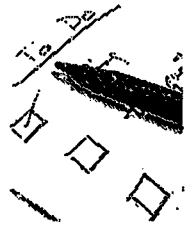


Transportation: Budget Overview

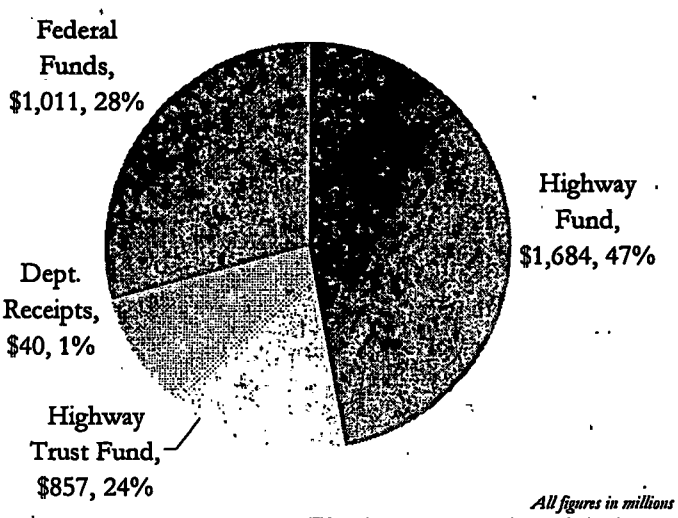
	Revised FY 2008-09 [1]	*FY 2009-10*	*% Change* [2]	*FY 2010-11*	*% Change* [2]
Transportation					
Requirements	$3,607	$3,592	-0.4%	$3,604	-0.1%
Receipts	$982	$1,051	7%	$1,062	8%
Appropriation	$2,625	$2,541	-3%	$2,543	-3%

All figures in millions of dollars.
1. Revised per Executive Order No. 6, 1/13/2009
2. From FY 2008-09

Transportation: Budget Context

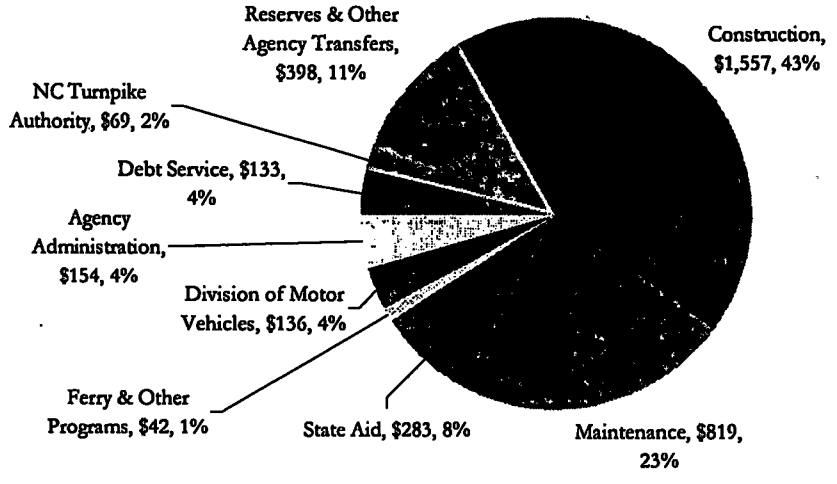
- **Investment in the state's infrastructure** is vital to economic growth
- Restoring and maintaining the state's transportation infrastructure and promoting multi-modal transportation initiatives are a key component
- **$3.6 billion is recommended** in support of North Carolina's Transportation Program for each year of the biennium

Transportation: Funding Sources, FY 2009-10



All figures in millions of dollars.
FY 2010-11 amounts are similar. See budget document for details.

Transportation: Appropriations, FY 2009-10



All figures in millions of dollars.
FY 2010-11 amounts are similar. See budget document for details.

Federal Economic Recovery Funds

- **Federal Recovery Funds**
  - $735 million for highways and bridges
  - $103 million in transit federal formula grants
- 50% of funds required to be obligated **within 120 days**
  - The other 50% required to be obligated within one year
- **70 shovel-ready projects** totaling $466 million utilizing first half of highway & bridge funds identified
- Projects that will be funded from remaining funds for highways and bridges along with transit funds are currently being identified

Budget Reductions: Highway Fund

- **Total Reductions:**
  - 2009-10 - $142 million
  - 2010-11 - $172 million
- Reduce **highway maintenance funds** by ($78 mm, $109 mm)
- Reduce **small construction funds** ($2.6 mm/year of biennium)

Budget Reductions: Highway Fund (cont.)

- Reduce **multi-modal transportation funds** ($29 mm/year of biennium)
- Reduce **salary and operating funds** for department-wide administration ($15 mm/year of the biennium)
  - 34 positions
- Reduce **transfers to other state agencies** supported with Highway Fund appropriations ($11 mm)
- Reduce salary adjustment funds, longevity funds and budget health care premiums at actual costs ($8 mm)

Budget Reductions: Highway Trust Fund

- **Total Reductions:**
  - 2009-10 - $157 million
  - 2010-11 - $173 million
- Reduce funds for **intrastate system** ($92 mm, $101 mm)
- Reduce funds for **urban loops construction** ($37 mm, $41 mm)

Budget Reductions: Highway Trust Fund (cont.)

- Reduce funds for **secondary roads construction** and **state aid to municipalities** ($10 mm, $11 mm)
- Reduce funds for **program administration** ($8 mm/year of biennium)

Expansion Items: Highway Fund

- **Total Expansion Items:**
  - 2009-10 - $25 million
  - 2010-11 - $32 million
- Adjust funds as statutorily required for LUST fund, state aid to municipalities and secondary roads construction ($6 mm, $8 mm)

Expansion Items: Highway Fund (cont.)

- Restore recurring appropriation for **Spot Safety Program** after successful continuation review ($9 mm/year of the biennium)
- Receipt funds for completion of **combined registration and tax collection system** ($5 mm, $9 mm)
- **Increase employer share of contributions** to State Health Plan to support increase in premiums effective July 1st ($5 mm, $11 mm)
- Increase **retirement system contributions** ($1 mm/year of the biennium)

IV. Recommendations by Subcommittee

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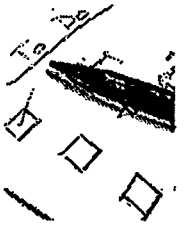


Statewide Reserves: Reductions

- **Total Reductions:**

  FY 2009-10/FY 2010-11: $213 mm, $224 mm

- Freeze Longevity Payments for Two Years/Hold Retirement Calculation Harmless ($173 mm, $178 mm)
- Budget Health Care Premiums at Actual Costs ($25 mm/year)
- Reduce Debt Service Appropriations ($4 mm/year)
- Eliminate Salary Adjustment Fund monies ($4.5 mm/year)
- Eliminate (75/100) Administrative Support positions to align NC with standard 10:1 ratio ($3 mm, $4 mm)
- Budget E-Procurement Receipts ($0, $10 mm)

Statewide Reserves: Expansion Items

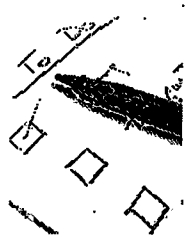
- **Total Expansion Items:**

  FY 2009-10/FY 2010-11: ($6 mm, $3 mm)

- **Bonus Leave** for State Employees in lieu of longevity payments ($0, $0)
- **2010 Census** Local Promotion ($0.75 mm, $0)
- State Web Portal and **Accountability Sites** ($0.5 mm, $0.5 mm)
- Create **Budget and Performance Management** System ($3 mm, $0.5 mm)
- **Federal Economic Recovery** Management and Accountability ($1 mm, $1 mm)

Agenda

I. Governor Perdue's Budget Priorities
II. Summary of FY 2009-11 Budget
III. Recommendations by Subcommittee
IV. Economic and Revenue Update
V. Summary

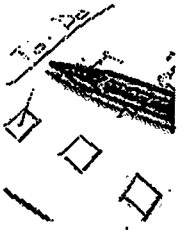


IV. Economic and Revenue Update

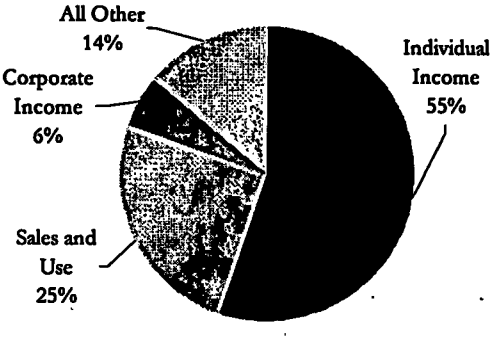
A. Background on Revenue and the Economy

B. General Fund Revenue Outlook: 2009-2011

C. Revenue Changes



General Fund Revenue Components



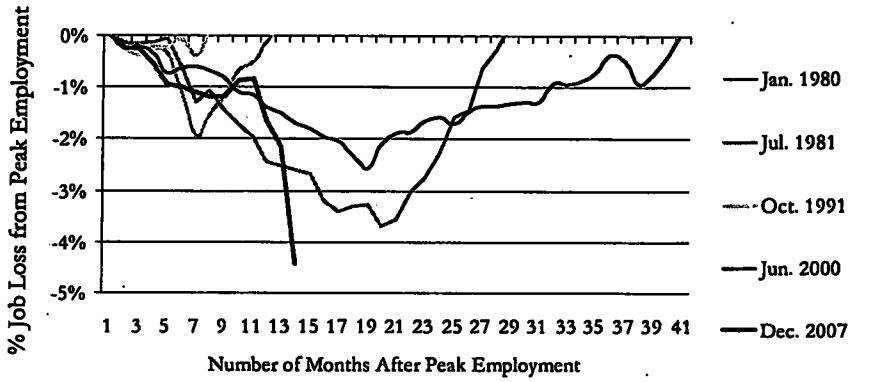
FY 2007-08 General Fund Revenue: $19.8 billion

Tax/Source	*$ (billions)*	*% of GF*
Individual Income	$10.9	55%
Sales & Use	$5.0	25%
Corporate Income	$1.1	6%
All Other Taxes	$2.8	14%

- NC's tax base compared to other states:
  - More Reliance on Individual Income Tax
  - Less Reliance on Sales and Use Tax

Current Recession in Perspective: Jobs

Current recession: lost 186,000 jobs as of Jan. 2009
84,000 jobs lost in 2001 recession



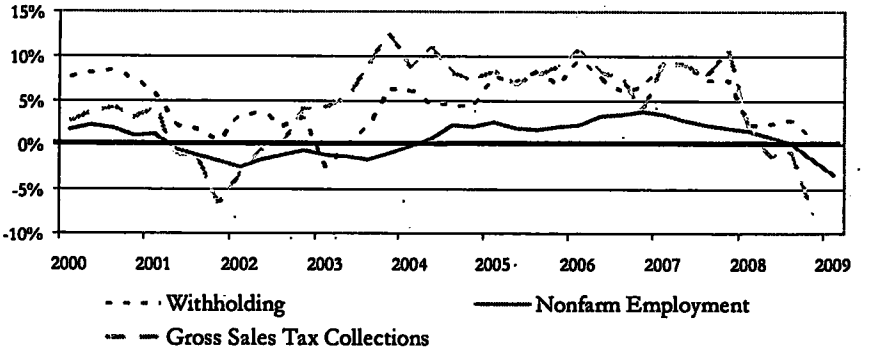
Source: NC Employment Security Commission

FY 2008-09 GF Revenue Update

- $1.18 billion below budget through February
  - **9.2% below expected revenue**
  - Recession has translated into large declines in most important revenue categories
- $2.2 billion shortfall expected in FY 2008-09
  - $18.7 billion vs. $20.9 billion budgeted
  - **10.6% below budgeted revenue**; 5.9% decline compared to last year (would be largest decline in our records)

Income Tax/Sales Tax Collections Slowing

Withholding, gross sales tax collections, and employment declining
(year-over-year percent change)



Sources: OSBM Economic & Demographic Analysis, Global Insight

Economic Outlook: 2009-2011

- Key economic indicators suggest a sluggish FY 2009-10 with a rebound in FY 2010-11

Year-over-year Growth In North Carolina (forecast):

	FY 2009-10	*FY 2010-11*
Wages	1.1%	4.7%
Nonfarm Employment	-1.1%	1.8%
Profits	0.8%	7.2%
Retail Sales	0.5%	7.6%

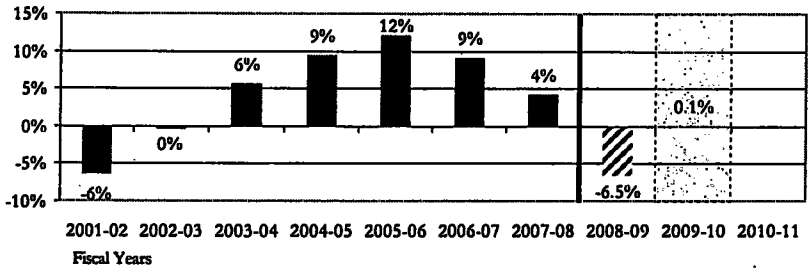
Source: Global Insight

Consensus Forecast for General Fund Revenue

FY 2009-10

- Total: $18.9 billion, **no growth (0.1%)**
- Slight economic recovery starts in 2010; revenue recovery delayed

General Fund Revenue Growth (baseline year-over-year percent change)



Source: OSBM and Fiscal Research Division Consensus Forecast

FY 2009-10 Forecast by Revenue Source

Individual Income Tax

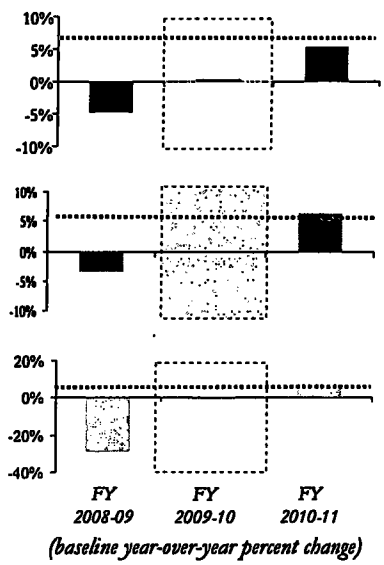
- 0.3% growth

Sales Tax

- No growth (0.0%)

Corporate Income Tax

- 0.5% decline



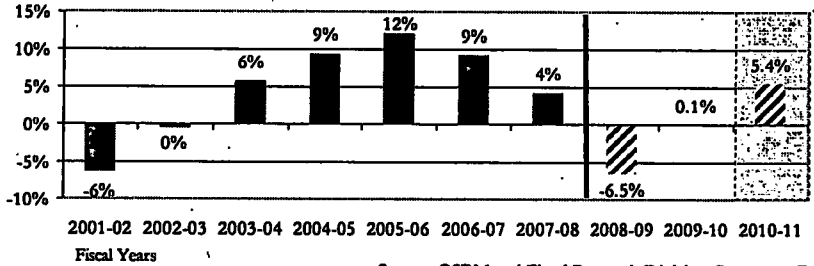
(baseline year-over-year percent change)

Consensus Forecast for General Fund Revenue

FY 2010-11

- Total: $19.9 billion, **5.4% growth**
- Return to FY 2007-08 Total General Fund Revenue levels

General Fund Revenue Growth (baseline year-over-year percent change)



Source: OSBM and Fiscal Research Division Consensus Forecast

FY 2010-11 Forecast by Revenue Source

Individual Income Tax

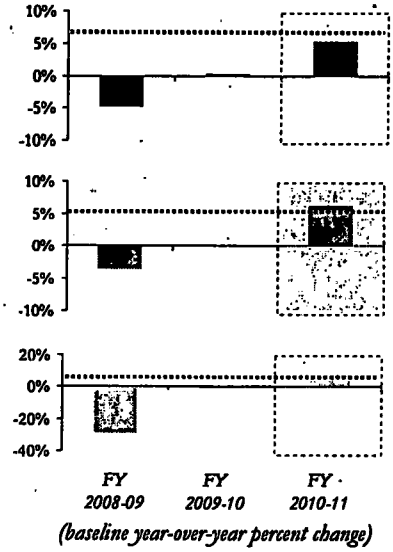
- 5.2% growth

Sales Tax

- 6.2% growth

Corporate Income Tax

- 7.4% growth



(baseline year-over-year percent change)

Revenue Changes: Overview

Projected General Fund Revenue Changes:

	FY 2009-10	*FY 2010-11*
Tobacco Tax Changes	$343	$457
Alcohol Tax Changes	$158	$210
Improved Enforcement	$50	$75
Fees	$27	$31
Disproportionate Share Allocation	$25	$ -
Tax Relief	$(22)	$(65)
Net Revenue Effect	**$580**	**$708**

All figures in millions of dollars.

Revenue Changes: Tobacco

- Cigarette Tax
  - NC has 7th-lowest cigarette tax rate
  - Increase rate $1.00 to $1.35 per pack
  - **Would be slightly above national average**
  - $311 million in FY 2009-10
  - $415 million in FY 2010-11
- Other Tobacco Products
  - Increase tax rate from 10% to 28%
  - **Similar to cigarette rate increase**
  - $32 million in FY 2009-10
  - $42 million in FY 2010-11

Revenue Changes: Alcohol and License Fees

- Alcohol Tax
  - Implement 5% tax surcharge on all purchases
  - Rates on beer and wine **have not changed in 25 years**
  - Liquor tax rate was 28% until February 2002
  - $158 million in FY 2009-10
  - $210 million in FY 2010-11

- Fee Increase on Professionals
  - Increase annual license fee on professionals from $50 to $200
  - $18 million in FY 2009-10 and FY 2010-11

Revenue Changes: Tax Relief

Governor's Tax Relief Package **saves taxpayers:**
- $22 million in FY 2009-10
- $65 million in FY 2010-11

- **Small Business Tax Relief** ($12 mm, $24 mm)
  - Profits of < $100,000 can exempt first $25,000 of net income from tax
  - Profits of $100,000 to $200,000 can exempt first $15,000 of net income
- **Founder's Credit** ($0)
  - Encourages investment in NC entrepreneurs, drivers of economic growth
  - Excludes initial stock investments ("founder's stock") in NC start-up companies from capital gains
- **WaterSense Tax Holiday** ($0)
  - Promotes water conservation by NC citizens
  - Adds WaterSense devices to existing Energy Star tax holiday

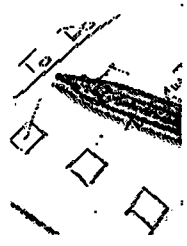
Revenue Changes: Tax Relief (cont.)

Governor's Tax Relief Package (cont.):

- **Expand Earned Income Tax Credit (EITC)** ($0, $21 mm)
  - Provide some relief for low- and moderate-income families
  - EITC increases from 5.0% to 6.5% of federal credit
- **Internal Revenue Code (IRC) Update** ($10 mm, $20 mm)
  - Makes bonus payments to combat veterans tax-free
  - Allows military death benefit contributions to retirement accounts
  - Extends deductions including tuition and schoolteacher expenses
  - Adds deduction for endangered species recovery expenses and extends deduction for conservation easements
- **Caregiver Tax Credit** ($0, $0.8 mm)
  - Offsets some costs of caring for an older family member
  - Credit for 10% of certain caregiving expenses, up to $150

Agenda

I. Governor Perdue's Budget Priorities
II. Summary of FY 2009-11 Budget
III. Economic and Revenue Update
IV. Recommendations by Subcommittee
V. Summary



Summary: Governor Perdue's Budget Priorities

1. **Growing North Carolina's Economy**
   - Key investments around infrastructure, assistance to small businesses and workforce development, including:
     - $50 mm to maximize federal resources for water and sewer, navigation, flood control, drainage and beach protection projects
     - $36 mm in tax relief for small businesses
     - Jobs Now initiative: community college programs focused on preparing students for the new 21st century careers.
2. **Improving Public Education**
   - Year to year spending (including federal recovery monies) increases by $118 million (1.1%)
   - Per student funding increases from $5,597 to $5,736

Governor Perdue's Budget Priorities (cont.)

3. **Keeping Higher Education Accessible and Affordable**
   - Fully funds enrollment for all students hoping to attend a community college or UNC system institution
   - Does not recommend a tuition increase
4. **Protecting Our Most Vulnerable Citizens**
   - Limits reductions in direct services
   - Does not displace persons currently served by Medicaid
5. **Keeping Our Communities Safe**
   - Invests an add'l $12 mm per year in the probation system
   - $15 million in federal recovery funds for gang-related programs

Governor Perdue's Budget Priorities (cont.)

6. Making Government More Efficient and Accountable

- $2.6 billion in savings throughout state government
- Recurring savings rather than one-time actions
- A targeted approach when identifying reductions
- Reduces or eliminates more than 20 duplicative, costly, inefficient or nonessential programs
- Transitions to a budgeting approach focusing on results

7. Fiscal Responsibility

- Per capita budget will decline by 3.2%
- Does not authorize any additional debt in 2009-10

FY 2009-11 Presentation of Governor Perdue's Recommended Budget

Prepared by:
The Office of State Budget and Management
March 17, 2009

Department of Health and Human Services

TANF Funding Issues

Joint Appropriations Subcommittee on Health and Human Services

March 19, 2009

FISCAL RESEARCH DIVISION
A Staff Agency of the North Carolina General Assembly

Overview of Presentation

- TANF Overview
- Issues:
  - Work First Family (Cash) Assistance
  - Work Participation Rates
  - Non-Core TANF Programs
  - Contingency Funds
- Economic Stimulus

TANF Overview

TANF: Federal Level

- TANF = Temporary Assistance for Needy Families
- 1996 Welfare Reform Law
- Replaced Aid to Families of Dependent Children (AFDC)
- Reauthorized through FFY 2009-10

TANF: Federal Level

- TANF Goals
  - Assist Needy Families with Children
  - Reduce Dependency
  - Reduce Out-of-Wedlock Pregnancies
  - Promote Two-Parent Families

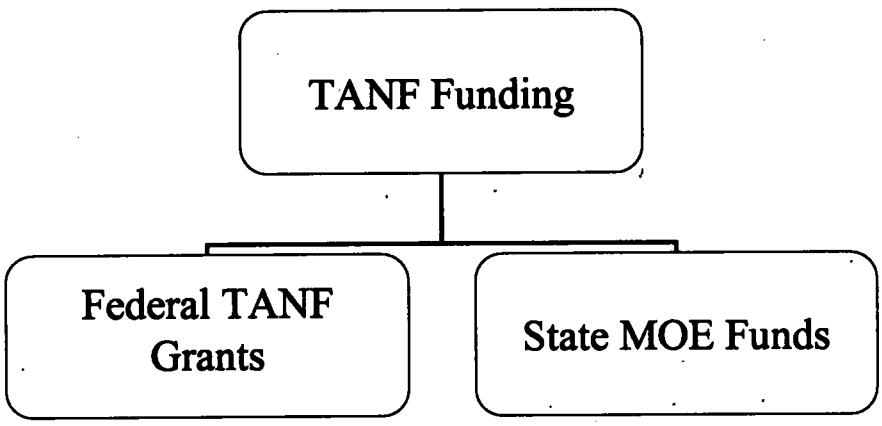
TANF: State Level

- Work First = NC's TANF Program
- Administered by counties under state supervision
- Serves low-income families and children
  - Short-term basis
  - Basic needs
  - Promotes employment and self-sufficiency

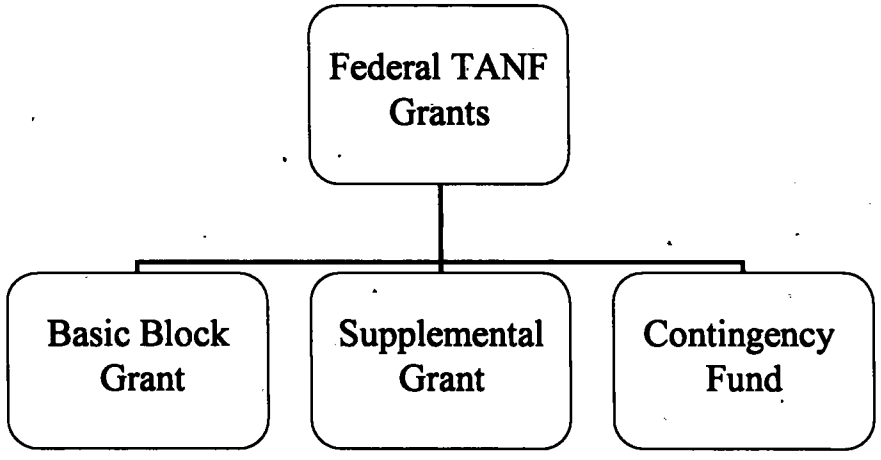
TANF: State Level

- Work First Strategies:
  - Family (Cash) Assistance Benefits
  - Diversion Benefits (alternative)
  - Retention

TANF: Total Funding



TANF: Federal Funding



TANF: Federal Funding

$338.35 million = NC's TANF Grants

Basic Block Grant	Supplemental Grant
$302.2 million	$36.1 million

TANF: Federal Funding

Major TANF Expenditures for FY 2008-09

$94.5 million	WF County Block Grants
$91 million	WF Family Assistance
$84 million	Transfer to CCDBG
$61 million	DCD Child Care Subsidies

TANF: State Funding

State Maintenance-of-Effort (MOE)

- Minimum State Spending on TANF-related Activities

75% Level	80% Level
$154.2 million	$164.5 million

TANF: State Funding

Major MOE Expenditures for FY 2008-09

$98.6 million	WF County Block Grants (State and County Funds)
$48 million	DCD Child Care Subsidies
$30 million	Smart Start Child Care Subsidies
$6.4 million	WF Family Assistance

Issue

Work First Family Assistance

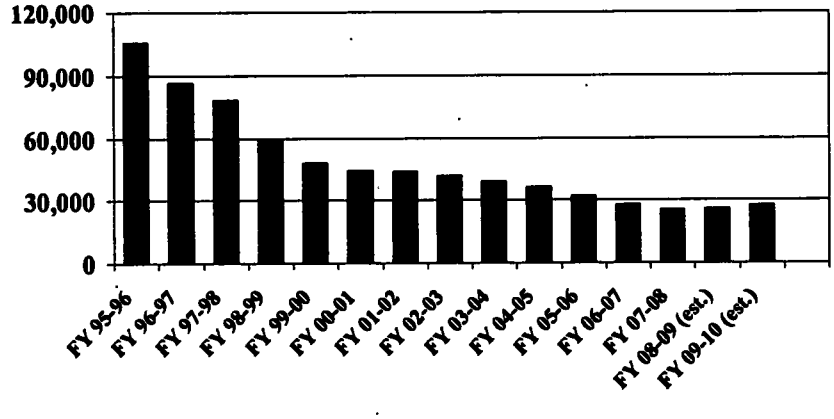
WF Family Assistance

- Increasing caseloads
  - Increasing Family Assistance expenditures
  - Decreased availability of unspent TANF funds to carry forward for FY 2009-10

WF Family Assistance

Caseloads Since Welfare Reform

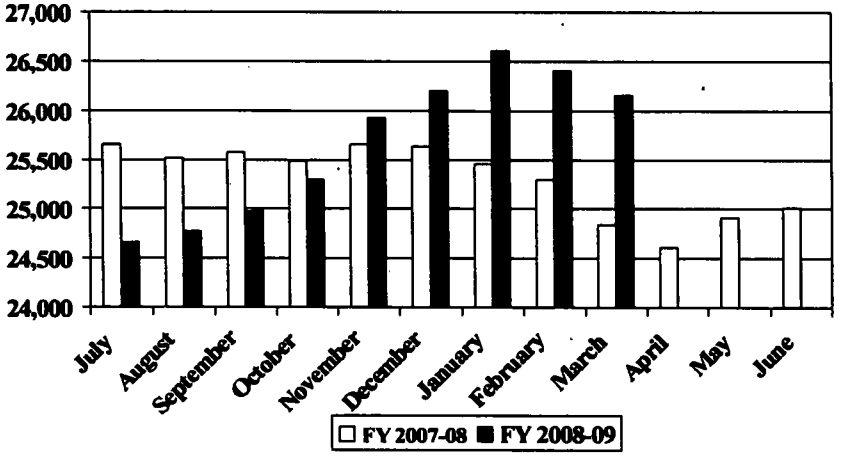
(monthly average)



WF Family Assistance

Recent Caseload Estimates

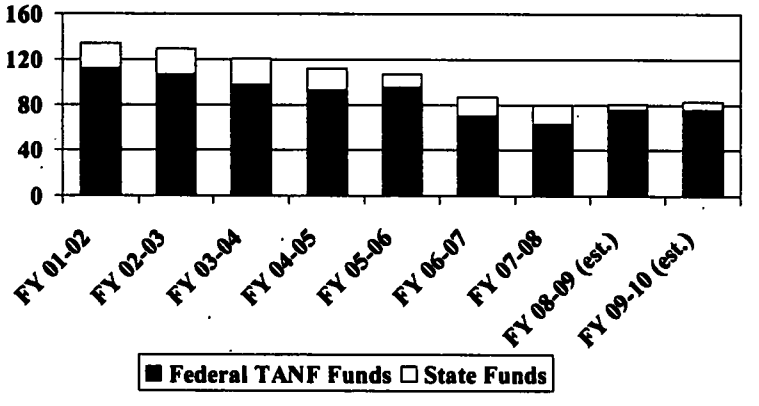
(monthly)



WF Family Assistance

Expenditures Since FY 2001-02

(millions)



WF Family Assistance

- Recap – Decrease in WF Family Assistance expenditures provided surplus TANF funds
  - Surplus used to:
    - Fund increasing costs
    - Fund non-core programs; and,
    - Replace state funds during economic downturns

Issue

Work Participation Rates

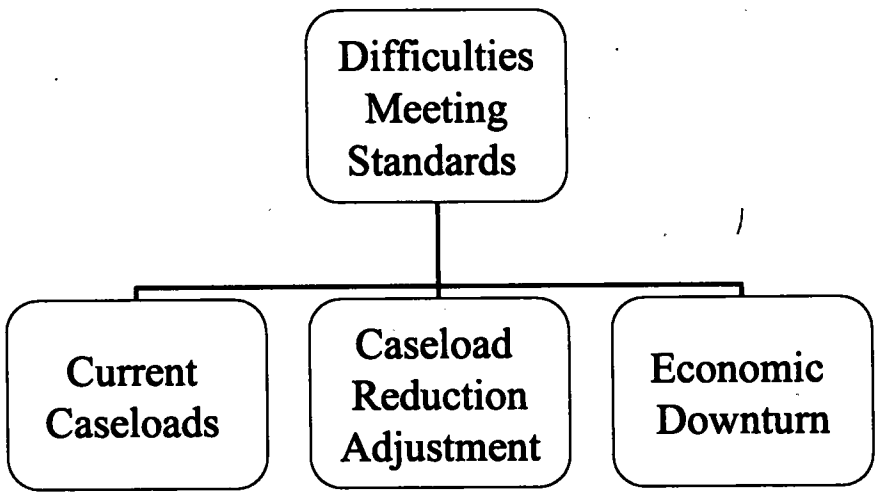
Work Participation Rates
Federal Requirements

- Work Participation Standards
  - Required Minimum "Engaged in Work"
    - 50% of All Families
    - 90% of Two-Parent Families

Work Participation Rates
Federal Requirements

- Caseload Reduction Credit
  - Reduces Work Participation Standards
    - 1% for each percentage decline in caseloads from FFY 2004-05 level
  - Excess MOE

Work Participation Rates



Work Participation Rates
Current Situation

NC's Work Participation Rates	
FFY 2006-07	• Did Not Meet Federal Standards • First Time Since Welfare Reform
FFY 2007-08	• Will Likely Meet Federal Standards
FFY 2008-09	• Economic Downturn Create Extra Challenges

Work Participation Rates
Non-compliance

Potential Financial Penalties	
$15.1 million	• 5% Penalty TANF Basic Block Grant • Replace with State Funds
$10.3 million	• 5% Increase Minimum MOE Level
$3 million	• 1% Penalty TANF Basic Block Grant • Verification Procedures • Replace with State Funds

Work Participation Rates
Current Situation

- WF County Demonstration Grants
  - $19 Million Federal TANF Funds
    - Identify Best Practices
    - Awarded to Counties for up to 3 Years
    - Projects End FY 2008-09

Issue

Non-Core TANF Programs

Non-Core TANF Programs

Major Core Programs FY 2008-09

$94.5 million	WF County Block Grants
$91 million	WF Family (Cash) Assistance
$84 million	Transfer CCDF Block Grant
$61 million	DCD Child Care Subsidies

Non-Core TANF Programs

Non-Core Programs FY 2008-09

$2.7 million	Child Welfare Training
$2.6 million	Support Our Students
$2.5 million	At-Risk After Schools Services
$2 million	Boys & Girls Clubs (Wake Co.)

Non-Core TANF Programs

Non-Core Programs FY 2008-09

$838,000	Maternity Homes
$550,000	Work Central/Connect Inc.
$548,247	Citizen Schools

Issue

Contingency Funds

TANF Contingency Funds

- Contingency Funds
  - Available in Fiscal Year Awarded
  - Cannot Carry Forward to Next Fiscal Year
- NC Eligible to Receive Funds
  - Increased Food Stamp Enrollment
  - Applied Sept. 2008
  - FFY 2008-09

TANF Contingency Funds
Federal Requirements

- Matching Federal Funds
  - Identify State Spending Above 100% MOE Level
    - Excludes Child Care
    - NC = $173 Million

TANF Contingency Funds
Federal Requirements

- Maximum Amount to Draw Down
  - 20% TANF Basic Block Grant
    - NC = $60.4 Million

TANF Contingency Funds
Current Situation

- Funds Awarded Quarterly
- NC Received Two Awards YTD
  - Totaling $30.2 million
- DHHS Developing Plan for Use of Funds

Economic Stimulus

Economic Stimulus

- Created New Emergency Contingency Fund
  - Only available for FFY 2008-09 and FFY 2009-10
  - Quarterly Grants Cover 80% of Increased Costs
  - Capped at 50% of TANF Basic Block Grant

Economic Stimulus

- Hold Harmless Caseload Reduction Credit
- Extended Supplemental Grants through FFY 2009-10
- May use carry-over for any TANF purpose

Questions

Fiscal Research Division
Room 619, LOB
919-733-4910
www.ncleg.net/fiscalresearch/

House Pages

Name Of Committee: APP Health & Human Serv Date: 3/19/09

1. Name: Kayla McCaego
   County: Dare
   Sponsor: Spear
2. Name: Wilson Powell
   County: Buncombe
   Sponsor: Fisher
3. Name: Annie McAlister
   County: Mecklenburg
   Sponsor: Senator Rand
4. Name: Danielle Howell
   County: Cleveland
   Sponsor: Clary
5. Name: Crystan McLymore
   County: Wake
   Sponsor: ~~Boseman~~ House

Sgt-At-Arms SENATE

1. Name: Trey Raley RICHARD TELFAIR
2. Name: Martha Gladson CHARLES HARPER
3. Name:
4. Name:

VISITOR REGISTRATION SHEET

JOINT APPROP. HEALTH AND HUMAN SERVICES MARCH 19, 2009

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
David Bray	MWC
Lori Ann Hanrie	NHH
John Bowdish	Action Jamison
Barbara Carlson	BCCCR
Joni Albers	BEGINNINGS
Lavinia G. Fisher	Advocate for Mentally Ill
Kristi Huff	NCHCFA
[illegible]	F Burke
Ted Alley	NMRS
Roz Smith	NCCCC
Amy McCaskey	Smith Anderson

VISITOR REGISTRATION SHEET

JOINT APPROP. HEALTH AND HUMAN SERVICES MARCH 19, 2009

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Pam Kilpatrick	OSBM
Wayne Williams	OSBM
Melvin Lee	OSBM
Lori Leonard	WCSR
ANN LOCK	DUKE
Robert Huffman	NC Psychiatry Assoc + Coalition
Elizabeth Cloud	NC Psychology Assn.
Mary Shuff	NAMI NC

SENATE APPROPRIATIONS SUBCOMMITTEE
ON HEALTH AND HUMAN SERVICES

Monday, April 6, 2009
4:00 p.m.
Room 643, Legislative Office Building

The Senate Appropriations Subcommittee on Health and Human Services met on Monday, April 6, 2009, in Room 643 to receive the proposed Senate Budget for DHHS. Senator William R. Purcell, M.D., Co-chair, presided. Senate members present were: Co-chairs William R. Purcell and Doug Berger.

Co-chair Purcell introduced the committee members, committee staff, committee clerks, and the Sergeant-at-Arms.

Co-chair Purcell introduced committee staff member, Lisa Hollowell to begin the presentation of the HHS budget. Attachment 1 is the Proposed Senate Budget for Health and Human Services Money Report. Attachment 2 is the Health and Human Service Senate Budget. Attachment 3 is a special provision. The committee staff presented the HHS Money Report and Budget.

Co-chair Purcell opened the floor for discussion and questions regarding the Senate Health and Human Services budget.

The Meeting was adjourned by Co-chair Purcell at 5:50 p.m.

WR Purcell

Senator William R. Purcell, Co-Chair

Sara Sheppard

Sara Sheppard, Committee Ass't.

Senate
Sen. William Purcell
Sen. Doug Berger
Sen. Charlie Dannelly
Sen. Martin Nesbitt, Jr.
Sen. Harris Blake
Sen. Debbie Clary
Sen. James Forrester

APPROPRIATIONS SUBCOMMITTEE FOR HEALTH AND HUMAN SERVICES

AGENDA

April 6, 2009, 4:00PM
Legislative Office Building
Room 643

Chairs

Senator William Purcell
Senator Doug Berger

Senator Martin Nesbitt, Jr. Vice-Chair

Presentation of Proposed Senate Budget For DHHS	Fiscal Research Staff
Discussion	Committee Members

Proposed Senate Budget for Health and Human Services

Money Report

Senate Appropriations Subcommittee for
Health and Human Services

April 6, 2009

Health and Human Services

GENERAL FUND

	FY 09-10		FY 10-11	
Adjusted Continuation Budget	**$5,536,344,939**		**$5,806,560,945**	
Legislative Changes				
(1.0) Division of Child Development				
1 Eliminate Vacant Positions Eliminates vacant positions within the Division of Child Development.	($51,325) -2.00	R	($51,325) -2.00	R
2 Reduce Professional Development Contracts Eliminates funds to administer the testing-out of coursework allowed for lead child care teachers. As of July 2008, lead child care teachers may no longer test out of coursework; therefore, these funds are not needed.	($59,860)	R	($59,860)	R
3 Reduce Operating Expenses Reduces operating expenses within the central management of Division of Child Development.	($20,000)	R	($20,000)	R
4 Position Elimination Eliminates one Processing Assistant V position. This position has been vacant for over one year and duties have been reassigned to other staff.	($36,050) -1.00	R	($36,050) -1.00	R
5 Reduce Smart Start Funding Reduces funds for the North Carolina Partnership for Children.	($15,000,000)	NR		
6 Replace State Funds for Child Care Subsidy Replaces State funding for child care subsidy with one-time Temporary Assistance for Needy Families Block Grant (TANF) contingency funds for FY2009-10.	($12,452,484)	NR		
7 Replace State Funding for TEACH Program Replaces State funds for the TEACH Program with federal receipts for two years.	($3,800,000)	NR	($3,800,000)	NR
8 Plus Program Transfers funds from Department of Public Instruction's More At Four Program to Department of Health and Human Services, Division of Child Development for the creation of a high quality classroom subsidy program for four-year-old children. There will be 25 receipt-supported positions transferred from Department of Public Instruction to Division of Child Development.	$46,000,000	R	$46,000,000	R

	FY 09-10		FY 10-11	
9 Federal Recovery Funds for Child Care Subsidy Increases funds for child care subsidy and a targeted market rate increase by $16,759,163. Increases funds for quality enhancement activities by $11,519,144 as required by the Federal Recovery Act. Increases funds to local governments for the administration of the child care subsidy program by $2,030,661.				
10 Child Care Subsidy Plus Program Provides Federal Recovery Funds for a high quality classroom childcare subsidy program for four-year-old children. The program will be established within the Division of Child Development and reduces funds for the More At Four educational program.	($37,224,166)	NR		
11 Increase Fees for Child Care Centers and Charge a Fee for Child Care Homes Increases the existing child care licensure fees by 50% and reduces the State appropriations within the Division of Child Development. Imposes a new fee for child care homes equal to the amount that the smallest centers are required to pay.	($602,385)	R	($602,385)	R
(2.0) Division of Mental Health, Developmental Disabilities, and Substance Abuse Services				
12 Various Reductions at Facilities Reduces various line items including vehicle replacements, golf carts, and furniture purchases at the facilities managed within the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services.	($705,659)	NR	($709,100)	NR
13 Eliminate Vacant Positions Eliminates vacant positions within the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services.	($12,912,934) -376.24	R	($12,912,934) -376.24	R
14 Close Bed Units at Broughton and Cherry Hospitals Eliminates funds for two 25 bed units at Broughton and Cherry Hospitals.	($6,027,471)	R	($6,027,471)	R
15 Federal Funds Payback for Broughton Hospital Reduces State funds due to a pay-back of federal funds expected from Centers for Medicare & Medicaid Services. An Administrative Law Judge ruled that Broughton Hospital should not have been decertified in August 2007 and that federal funding should not have been withheld. This payback of funds will replace State funds within the DMHDDSAS budget.	($8,000,000)	NR		
16 Reduce Operating Expenses Reduces funds within operating accounts within the division's central office by $250,000. Reduces funds at the maintenance facilities by $1,000,000.	($1,250,000)	R	($1,250,000)	R

	FY 09-10		FY 10-11	
17 Increase Patient Receipts at Alcohol, Drug Abuse Treatment Centers Reduces State funds at the ADATCs in anticipation of additional patient revenues collected. This is due to the increased bed capacity available at the ADATCs.	($662,867)	R	($1,127,895)	R
18 Close Wright and Whitaker Schools Eliminates funding for the Wright and Whitaker schools located in Durham and Butner, respectively. These schools provide residential based treatment and training for emotionally- and behaviorally-disturbed students. The schools collectively served fewer than 100 students.	($2,889,991) -98.00	R	($5,779,982) -98.00	R
19 Reduce Cherry Hospital Staffing Levels Reduces staff planned and budgeted at the Cherry Hospital based on revised capacity levels.	($810,049) -19.00	R	($4,195,178) -140.50	R
20 Reduce Funds for Psychiatric Hospitals' Electronic Health Records Reduces funds for psychiatric hospitals' electronic health record systems at Central and Cherry Hospitals. It is anticipated that federal recovery funds will be available to support the development of this technology.	($21,060,455) -3.00	NR	($31,662,312) -5.00	NR
21 Crisis Services Provides funds for local inpatient bed capacity located within community hospitals.	$12,000,000	R	$12,000,000	R
22 Dorothea Dix Overflow Unit Provides funds and time-limited positions for the Dorothea Dix Overflow Unit. The unit will operate 36 beds available to patients statewide. Additionally, Wake County will contract with the State to operate 24 inpatient beds to serve county residents.	$3,000,000 174.75	NR		
23 Training and Workforce Development Initiatives Provides funds for training to improve the quality of care provided to clients in the division's residential facilities.	$325,000	R	$325,000	R
24 Fund Mental Health Leadership Academy Assists Local Management Entities (LMEs) with improving the delivery of services. Provides funds to LMEs to pay for staff participation in the Mental Health Leadership Academy at University of North Carolina Kenan-Flagler Business School.	$500,000	NR	$500,000	NR
25 Expand Cross Area Service Programs Provides funds to support Cross Area Service Programs and other substance abuse treatment and prevention initiatives.	$2,500,000	NR	$2,500,000	NR
26 Workforce Development Specialist Provides funds to create a Workforce Development Specialist position within the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services.	$50,000 1.00	R	$50,000 1.00	R

	FY 09-10		FY 10-11	
27 Substance Abuse Planning and Services Provides funds for the development of a substance abuse comprehensive prevention plan targeting young people and establishing a continuum of care for chronic diseases.	$1,000,000	R	$1,000,000	R
(3.0) Division of Public Health				
28 Eliminate Vacant Positions Eliminates vacant positions within the Division of Public Health.	($1,805,121) -46.00	R	($1,805,121) -46.00	R
29 Reduce Operating Budgets Reduces operating budgets within three branches of the Division of Public Health.	($348,363)	R	($348,363)	R
30 Reduce AIDS Drug Assistance Program Reduces State funds used to purchase pharmaceuticals. Pharmaceuticals from the "drug reserve" inventory will be used.	($3,074,119)	NR	($3,074,119)	NR
31 Vital Records Fee Increase Reduces State funds by allowing Vital Records operation become partially receipt-supported. Fee charged for copy of vital records increased from $15 to $20 per copy. Fee charged for expedited out-of-state service increased by $5.	($750,000)	R	($750,000)	R
32 Reduce Funds for Public Health Incubator Program Reduces State funds for Local Health Services Incubator Grant program.	($950,000)	R	($950,000)	R
33 Shift Positions to Receipt Support Replaces State appropriation with federal WIC funds for public health and regional consultants.	($70,541)	R	($70,541)	R
34 Reduces Community Focused Eliminating Health Disparities Initiative Reduces funds for Community Focused Eliminating Health Disparities Initiative.	($50,000)	R	($50,000)	R
35 Eliminate Positions and Reduce Contracts in Early Intervention Program Eliminates nine vacant positions and reduces contract funding for four Children's Developmental Service Agencies (CDSAs).	($660,054) -9.00	R	($660,054) -9.00	R
36 Replace State Funds with Federal Receipts Replaces State appropriations with Maternal Child Health Block Grant and Medicaid administration funds for several maternal, infant, and child programs.	($1,191,155)	R	($1,191,155)	R
37 Eliminate Statewide Contracts Eliminates funds that support the collection and analysis of hospital, family and community data concerning infants and children.	($457,967)	R	($457,967)	R

	FY 09-10		FY 10-11	
38 Reduce Contract Funding for Children and Youth Reduces contract funds for three contracts that historically have unobligated funds.	($903,965)	R	($903,965)	R
39 Remove Inflationary Increases and Vehicle and Equipment Replacement Reduces State funds by removing inflationary increases for utilities, water, sewer, and pharmaceuticals from the continuation budget. Reduces State funds for vehicle and equipment replacement.	($3,707,263)	R	($4,847,394)	R
40 Reduce Funding for Accreditation of Local Health Departments Suspends for one year the Division of Public Health's evaluation and accreditation of Local Health Departments (LHDs).	($750,000)	NR		
41 Eliminate Funding for Lyme Disease Study Eliminates the Division of Public Health's funding for the collaborative study with the Division of Environmental and Natural Resources.	($139,802)	R	($139,802)	R
42 Eliminate Kidney Disease Purchase of Medical Care Program Eliminates the Kidney Disease Purchase of Medical Care Program that provides up to $300 for persons with annual incomes up to 100% FPL. Persons with End-Stage Renal Disease are eligible for health care services through Medicare. The program was suspended in January 2009.	($160,000)	R	($160,000)	R
43 Eliminate Epilepsy Purchase of Medical Care Program Eliminates the Epilepsy Purchase of Medical Care Program that serves a minimum number of persons who have annual incomes up to 100% FPL. The program was suspended in January 2009.	($202,000)	R	($202,000)	R
44 Eliminate Adult Cystic Fibrosis Program Eliminates the Adult Cystic Fibrosis Purchase of Medical Care program which serves a minimum number of persons. The program was suspended in January 2009.	($175,000)	R	($175,000)	R
45 Eliminate Funding for the Early Hearing Program Eliminates the Early Hearing Purchase of Medical Care Program that provides hearing devices for infants prior to their being found eligible for the Early Intervention Program. The program was suspended in January 2009.	($30,000)	R	($30,000)	R
46 Eliminate Health Education for Children Contract Eliminates the contract with the Alice P. Aycock Center to plan, develop, and provide health education programs to children.	($150,000)	R	($150,000)	R
47 Eliminate Media Contract Eliminates the media contract through the National Alliance for Tobacco Cessation.	($106,746)	R	($106,746)	R

	FY 09-10		FY 10-11	
48 Eliminate Funds for Tobacco Quit Line Eliminates funding for Tobacco Quit Line. The Quit Line will continue to receive funding from the Health and Wellness Trust Fund.	($500,000)	R	($500,000)	R
49 Eliminate Professional and Public Education Contract Eliminates contract with the Southern Atlantic American Cancer Society to conduct training on best practices to physicians and local health departments.	($371,250)	R	($371,250)	R
50 Replaces Funding for Medically Fragile Children Program Replaces State funds with federal TANF Block Grant and Social Services Block Grant funds for the daycare program for medically fragile children in Wake County. TANF and SSBG provide $360,000 in funding for this program.	($70,000)	R	($70,000)	R
51 Federal Recovery Funds for Immunization Provides $5,689,500 for two years from the American Recovery and Reinvestment Act for the purchase of vaccines for children and adults, especially adults age 49 and older who are susceptible to common diseases such as seasonal influenza.				
52 Improve Birth Outcomes and Reduce Infant Mortality Provides funding to educate women on the benefits of 17-p Progesterone, to purchase medication for eligible women at risk for a pre-term births, and for the continued development and implementation of the safe sleep public awareness campaign.	$247,000	R	$247,000	R
53 Prevent Neural Tube Birth Defects Provides funds for the purchase of multi-vitamins with folic acid to be distributed to low-income women through Local Health Departments and Safety Net Clinics.	$480,000	R	$480,000	R
54 Adolescent Pregnancy Prevention Initiative Provides funding for a grant-in-aid to the Adolescent Pregnancy Prevention Campaign of North Carolina.	$250,000	NR		
55 Teen Pregnancy Prevention Initiative Provide funding for the adolescent pregnancy prevention, teen parenting, and school dropout prevention program.	$400,000	NR		
56 School Health Nurses Provides funds to hire 20 additional school nurses to bring the total number of school health nurses supported by Division of Public Health to 232.	$1,000,000	R	$1,000,000	R
57 Stroke Prevention Provides funding for Operation of the Stroke Advisory Council, the continued implementation of public awareness campaign, and identification of stroke rehabilitation services throughout the State.	$450,000	NR		

	FY 09-10		FY 10-11	
58 Prevent Blindness Provides funding for a grant-in-aid to Prevent Blindness North Carolina to expand the pre-kindergarten screening program.	$150,000	NR		
59 North Carolina Arthritis Patient Services Provides a grant-in-aid to North Carolina Arthritis Patient Services to support activities.	$50,000	NR		
60 Dental Service for Special Care Populations Provides funding for a mobile dental unit to serve special care populations in underserved areas.	$200,000	NR		
61 Medical Examiner Equipment Provides funds to support the Medical Examiner System.	$250,000	R	$250,000	R
(4.0) NC Health Choice				
62 Reduce Operating Expense Reduces various operating accounts that historically have unobligated funds.	($23,645)	R	($23,645)	R
63 Establish/Increase Emergency Room Co-payment for Non-emergency Visits Reduces State funding by establishing a $25 co-payment for non-emergency visits for families with children at 100% to 150% federal poverty level (FPL), and the current co-payment of $20, be increased to $25 for families with children between 150% and 200% FPL.	($217,665)	R	($317,728)	R
64 Increase Co-Payments for Prescription Drugs Reduces State funding by increasing co-payments for prescription drugs: $2 for Generic Drugs; $2 for Brand Name Drugs without Generic Equivalent; $5 for Brand Name Drugs for families at or below 150% federal poverty level (FPL); and $10 for families above 151% FPL.	($450,000)	R	($450,000)	R
65 Shift funds from NC Kids Care to Health Choice Moves funds for NC Kids Care to Health Choice for SFY 2009-10 and SFY 2010-11 to fund Health Choice, but allows for $7,000,000 to be available in SFY 2011-12 for NC Kids Care.	$7,000,000	NR	$7,000,000	NR
66 Health Choice Enrollment Growth Provides funds to increase enrollment in Health Choice by 15,583 children in SFY 2009-10 and maintain this level of enrollment through SFY 2010-11.	$7,829,934	R	$7,829,934	R
(5.0) Division of Central Management and Support				
67 Reduce Physician Loan Repayment Program Reduces program funding by 7% on a non-recurring basis and the number of contracts awarded by approximately four.	($105,000)	NR		

	FY 09-10		FY 10-11	
68 Reduce Psychiatric Loan Repayment Program Reduces program funding by 7% on a non-recurring basis, leaving sufficient funds to expand the number of contract awards over the prior year.	($70,000)	NR		
69 Reduce Loan Repayment Incentives at State Facilities Reduces program funding on a non-recurring basis. The General Assembly appropriated $868,519 during the 2008 Session to recruit medical doctors to the State's mental health hospitals. To date, these funds have not been awarded. This one-time reduction permits continuance of the program in FY 2009-10 and full implementation in FY 2010-11.	($400,000)	NR		
70 Reduce Community Health Grants Reduces funding for the Community Health Grant program by 7%, leaving $1,860,000 recurring. This reduction decreases the number of grants awarded annually by approximately two.	($140,000)	R	($140,000)	R
71 Medication Access Program Provides $2,745,000 in SFY 2009-10 and $3,000,000 in SFY 2010-11 from the Health and Wellness Trust Fund (HWTF) to support the Medication Access Program. The program assists indigent residents in need of prescription drugs accessing pharmaceutical manufacturers' free drug programs.				
72 Health Net Appropriates funds to expand access to comprehensive health services for uninsured individuals.	$2,000,000	R	$2,000,000	R
73 Rural Hospitals Operation and Maintenance Provides funding for small rural hospitals for assistance with operations and infrastructure maintenance.	$2,000,000	NR	$2,000,000	NR
74 Aid to Safety Net Community Health Centers Provides funding on a competitive grant basis to increase the capacity of rural health centers, local health departments, free clinics, school-based health centers, and other entities to provide health care to low-income and uninsured persons.	$6,000,000	R	$6,000,000	R
75 Management Flexibility Reserve Reduces funds for the Department of Health and Human Services. The reduction will be across all agencies within DHHS and will be at the discretion of the Secretary.	($22,962,170)	R	($22,962,170)	R
76 Eliminate Vacant Positions Eliminates vacant positions within the Division of Central Management.	($1,405,456) -25.00	R	($1,405,456) -25.00	R
77 Eliminate Vacant MMIS Positions Eliminates vacant positions within the Division of Central Management, Office of Medicaid Management and Information System (MMIS) Services.	($229,570) -28.00	R	($229,570) -28.00	R

	FY 09-10		FY 10-11	
78 Reduce Operating Budgets Reduces operating budgets within Central Management and Support divisions and offices, including the Secretary's Office, the Administrative Support section, the Controller's Office, and the Office of Rural Health and Community Care.	($349,235)	R	($349,235)	R
79 Reduce Non-Profit Appropriations Reduces appropriations by 7% for each of the non-profits receiving funds through the Central Management and Support budget. Affected non-profits include the Institute of Medicine, Food Runners, Special Olympics, ALS Association, and Action for Children.	($89,250)	R	($89,250)	R
80 Reduce Rental Subsidy Reduces funds for transfer to the Housing Finance Agency to operate the Key Program. Approximately 310 rental units will not be ready for occupancy in FY 2009-10. This reduction does not affect service levels.	($930,000)	NR		
81 Medicaid Management Information System (MMIS) Replacement Appropriates prior-year earned revenue of $11,071,502 for FY 2009-10 and $9,820,689 for FY 2010-11 to match federal funds for the MMIS Replacement project. Total receipts of $55,357,510 for FY 2009-10 and $49,103,445 for FY 2010-11 offset anticipated requirements.				
82 Federal Recovery Funds for Weatherization Assistance Appropriates Federal Recovery funds for weatherization assistance to low-income North Carolinians. The Department will implement this program pursuant to instructions from the North Carolina General Assembly.				
83 Additional Community Services Block Grant from Federal Recovery Act Appropriates Community Services Block Grant (CSBG) funds, $21,870,834 in FY 2009-10 and $4,374,166 in FY 2010-11, available through the American Recovery and Reinvestment Act. Federal Recovery funds will increase access to employment supports, food, housing, and health care through services provided by community action and limited purpose agencies. Approximately one percent is set aside for benefit enrollment and coordination.				
(6.0) Division of Social Services				
84 Eliminate Vacant Positions Eliminates vacant positions within the Division of Social Services.	($694,570) -30.00	R	($694,570) -30.00	R
85 Reduce Operating and Contracts Budgets Reduces operating budgets within the Division's Central Office, Economic Services section, and Child Support Enforcement (CSE) program. Also reduces the contract budget for CSE.	($711,364)	R	($711,364)	R

	FY 09-10		FY 10-11	
86 Work First Cash Assistance Funding Replaces State funds for Work First cash assistance payments with federal TANF Block Grant funds.	($7,178,459)	R	($7,178,459)	R
87 Electing Counties Work First State Funds Replaces State funds with federal TANF Contingency funds for Work First cash assistance payments and Work First county block grants for Electing Counties.	($2,378,213)	NR		
88 Reduce Funds for Child Advocacy Centers Reduces funding for the 21 accredited child advocacy centers statewide, which provide services to abused and neglected children. During its 2008 Session, the General Assembly increased State appropriations by $350,000 on a recurring basis. This reduction leaves $375,000 in total funding.	($200,000)	R	($200,000)	R
89 Replace State Funds for Maternity Home Services Replaces State funding for Maternity Home Services with federal TANF Block Grant and Social Services Block Grant funds - $943,002 is provided in federal block grant funding for provider reimbursements. There are fifteen maternity homes in nine counties providing services to approximately 190 women.	($105,002)	R	($105,002)	R
90 Reduce Funds for NC Reach Suspends State appropriations in FY 2009-10 for the NC Reach post-secondary scholarship program for adopted children and those aging out of foster care. $3,168,250 is appropriated from the Escheat Fund in FY 2009-10 to continue support for the program. Recurring State appropriations then replace funding from the Escheat Fund in FY 2010-11, totaling $3,168,250.	($3,168,250)	NR	$3,168,250	R
91 Replace Funds for the Child Welfare Collaborative Replaces State funds with federal TANF funds to continue support for the Child Welfare Collaborative, which provides financial, educational, and employment support for selected social work students who commit to working in county social services departments.	($261,028)	R	($261,028)	R
92 Federal Recovery Funds for Foster Care and Adoption Assistance Reduces State appropriations to represent State savings due to enhanced federal participation for Title IV-E payments for foster care and adoption services. The American Recovery and Reinvestment Act provides enhanced federal participation from October 1, 2008 through September 30, 2010. County costs will be offset by an equal amount of federal recovery funds.	($2,840,410)	NR	($726,309)	NR
93 Federal Recovery Funds for Child Support Enforcement Reduces State appropriations and budgets federal funds to reflect the American Recovery and Reinvestment Act's temporary restoration of the child support incentive match, which was repealed by the Deficit Reduction Act of 2005.	($2,214,542)	NR	($330,000)	NR

	FY 09-10		FY 10-11	
94 Replace State Funds for State Aid to Counties Reduces State aid to counties to support costs associated with county administration of public assistance programs. Federal recovery funds will offset this reduction.	($5,473,985)	NR	($5,473,985)	NR
95 Food Banks Provides funding to be equally distributed to the six regional food banks within North Carolina. Up to $500,000 of this funding may be used to offset increased costs for fuel consumption related to transporting food.	$1,500,000	NR	$1,500,000	NR
(7.0) Office of Education Services				
96 Reduce Operating Budget Reduces operating budgets office-wide, including accounts for administrative and operating supplies, and equipment. These reductions do not impact the Office's ability to carry out programs and services.	($703,191)	R	($703,191)	R
97 Reduce Contract Funds Reduces funding for contracted services across all OES programs, not impacting services required by a child's Individualized Education Plan (IEP).	($254,931)	R	($254,931)	R
98 Eliminate Vacant Positions Eliminates twenty (20) positions that have been vacant for more than a year. Three (3) of these positions are at Western North Carolina School for the Deaf; seven (7) at Eastern North Carolina School for the Deaf; eight (8) at Governor Morehead School for the Blind; and two (2) at the Governor Morehead Preschool.	($890,530) -20.00	R	($890,530) -20.00	R
99 Suspend Governor Morehead School Short Term Outreach Program Temporarily suspends the Short Term Outreach program for the biennium. The program annually provides weekly camps for approximately 70 children from across the State to develop skills such as orientation and mobility, and money handling.	($151,679) -3.00	NR	($151,679) -3.00	NR
100 Reduce Funding for Schools for the Deaf Reduces funding in support of the Western and Eastern North Carolina Schools for the Deaf. This reduction leaves $15,587,315 in recurring funds for the schools in FY 2010-11. The Schools currently serve 206 students.			($5,000,000)	R
(8.0) Divisions of Services for the Blind and Services for the Deaf and Hard of Hearing				
101 Eliminate Vacant Positions Eliminates vacant positions within the Divisions of Services for the Blind and Services for the Deaf and Hard of Hearing.	($130,777) -5.00	R	($130,777) -5.00	R

	FY 09-10		FY 10-11	
102 Reduce Operating Budget Reduces operating budgets for the Deaf and Hard of Hearing Regional Centers by 8%. This operating reduction does not impact the Division's ability to carry out programs and services.	($32,431)	R	($32,431)	R
103 Replace State Funds with Federal Receipts Budgets additional funds from the Basic Support Vocational Rehabilitation Grant, and reduces State funds.	($150,000)	R	($150,000)	R
104 Remove Inflationary Increases Removes allowable inflationary increases within the continuation budget for the Medical Eye Care and Rehabilitation Services Programs.	($112,019)	R	($170,960)	R
105 Transfer from Telecommunications Relay Trust Fund Reduces the Telecommunications Relay Trust Fund by $5,000,000 to support State appropriations for FY 2009-10.				
106 Federal Recovery Funds for Division of Services for the Blind Budgets federal funds available through the American Recovery and Reinvestment Act in the amount of $2,974,779 for Vocational Rehabilitation Services and $1,042,383 for the Independent Living Program (Older Blind Individuals). Funding availability dates are undetermined. A total of $2,008,581 is budgeted for each year of the biennium.				
107 Accessible Electronic Information for Blind and Disabled Persons Continues funding for contracted accessible electronic information services, which allow individuals with vision loss to access print media through telephone systems.	$75,000	NR		
(9.0) Division of Vocational Rehabilitation				
108 Eliminate Vacant Positions Eliminates vacant positions within the Division of Vocational Rehabilitation.	($329,456) -5.00	R	($329,456) -5.00	R
109 Reduce Basic Support Case Services Reduces State appropriations for non-medical consumer purchases.	($3,612,025)	R	($3,612,025)	R
110 Remove Inflationary Increases Removes inflationary increases within the continuation budget for items such as electrical, natural gas, water and sewer, and medical and non-medical services.	($711,283)	R	($1,042,189)	R

	FY 09-10		FY 10-11	
111 Federal Recovery Funds for Vocational Rehabilitation Services Budgets federal funds available through the American Reinvestment and Recovery Act to support the Vocational Rehabilitation Services program in the amount of $15,054,221 through September 30, 2010. An estimated amount of $402,340 will be available for the Independent Living Program, which will be shared between DVRS and the Division of Services for the Blind. $7,728,281 is budgeted for each year of the biennium.				
(10.0) Division of Aging and Adult Services				
112 Eliminate Vacant Positions Eliminates vacant positions within the Division of Aging and Adult Services.	($16,025) -1.00	R	($16,025) -1.00	R
113 Eliminate Quality Improvement Consultation Program Eliminates a contract and position that supported a Quality Improvement Program pilot for Adult Care Homes.	($190,204) -1.00	R	($190,204) -1.00	R
114 Eliminate Senior Center Outreach Program Eliminates funding for the Senior Center Outreach Program, previously allocated to the 17 Area Agencies on Aging to promote the use of services available through senior centers.	($100,000)	R	($100,000)	R
115 Operating Reductions Continues Governor's reduction on travel, supplies, printing, and other operating expenses.	($90,466)	R	($90,466)	
116 Replace Home and Community Care Block Grant Funds Replace funding for the Home and Community Care Block Grant, which provides funding for in-home and community-based services for seniors. The $2,768,783 reduction in State appropriations will be offset by federal recovery funds for senior nutrition services.	($2,768,783)	NR		
117 Home and Community Care Block Grant Provides funding for the Home and Community Care Block Grant to support services designed to help frail elderly stay in their homes.	$1,000,000	R	$1,000,000	R
118 Senior Community Service Employment The Senior Community Service Employment Program (SCSEP) places economically disadvantaged individuals 55 years of age and older with an income at or below 125% of the federal poverty level into part-time community service programs while transitioning clients into unsubsidized employment. Currently, five Area Agencies on Aging provide employment services in 25 counties. $621,560 in federal recovery funds will be available to support the program. Twenty percent of funds must be spent in the current year. The remaining funds ($497,248) and the required local match ($55,250) are budgeted as receipt-supported activities.				

	FY 09-10		FY 10-11	
119 Project CARE Provides funding for Project C.A.R.E. (Caregiver Alternatives to Running on Empty), a respite care program for caregivers of persons with Alzheimer's and dementia.	$500,000	R	$500,000	R
(11.0) Division of Medical Assistance				
120 Eliminate Vacant Positions Eliminates vacant positions within the Division of Medical Assistance.	($559,031) -15.00	R	($559,031) -15.00	R
121 Reduce Prescription Drug Costs Reduces prescription drug expenditures by employing the following actions: enhancing utilization management of the Prescription Advantage List (PAL), increasing utilization of generic drugs in place of brand name drugs, and increasing rebate collections on generic drugs. If sufficient savings are not realized by these actions, the department shall implement a preferred drug list for all drug classes in the Medicaid program. Generic drugs and brandname drugs that offer supplemental rebates will be included.	($25,791,264)	R	($30,214,013)	R
122 Freeze Provider Inflationary Increases in FY 2009-10 Freezes provider inflationary increases in FY 2009-10. The freeze applies to all public and private providers except for federally qualified health centers, rural health centers, school-based and school-linked health centers, State institutions, hospital outpatient, pharmacy, and the non-inflationary components of the case-mix reimbursement system for skilled nursing facilities.	($73,752,358)	R	($77,641,997)	R
123 Continue Provider Inflationary Rate Freeze from FY 2008-09 Continues the additional inflationary rate freeze from FY 2008-09 to maintain rates at current levels. The NCGA reduced provider inflationary rates by 67% during the 2008 Session. The division, through a budget flexibility special provision, reduced the rates by an additional 33%.	($27,676,137)	R	($30,014,082)	R
124 Modify Private Duty Nursing Reduces private duty nursing budget based on medical policy changes that would limit the number of hours adults would receive to 16 per day.	($2,065,924)	R	($2,729,287)	R
125 Change PT, OT, and ST benefits Reduces budget for physical therapy (PT), occupational therapy (OT), and speech therapy (ST) to ensure appropriate utilization of services. Adult visits would be limited to 30 visits per year. Savings are estimated to be 14% of projected expenditures. Effective October 1, 2009.	($2,453,119)	R	($3,443,360)	R
126 Enhance Third Party Liability Recoveries and Cost Avoidance Reduces medical assistance payments by increasing payment by third parties and increasing cost avoidance through better utilization of technology and other Medicaid cost-containment activities.	($20,000,000)	R	($20,000,000)	R

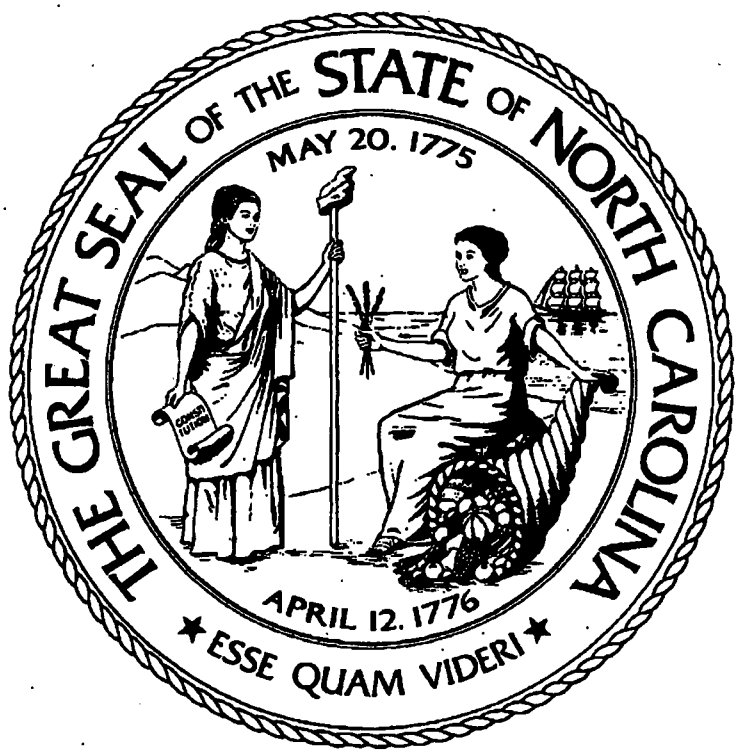
	FY 09-10		FY 10-11	
127 Implement False Claims Act Increases the amount North Caroilna can retain from fraud and abuse recoveries by implementing provisions that meet federal False Claims Act standards. The 10% bonus is expected to generate about $2.4 million annually. Of the amount collected, $176,068 will be used to support 5 positions at the Attorney General's Office to implement the act. Net collections will be offset by a reduction to State appropriations.			($2,229,757)	R
128 Shift from NC Kids Care to Health Choice Shifts the reserve for the NC Kids Care program to Health Choice on a one-time, non-recurring basis for the biennium to expand Health Choice to more than 15,583 children each year.	($7,000,000)	NR	($7,000,000)	NR
129 Modify Personal Care Services Benefits Reduces personal care services benefits to reduce overutilization of services. Effective October 1, 2009.	($54,855,000)	R	($54,855,000)	R
130 Reduce Funding for Community Support Reduces funding for the Community Support program for adults by limiting the hours for Community Support Group services to 8 hours per week.	($15,000,000)	R	($15,000,000)	R
131 Eliminate Administrative Expenditure Increases Eliminates increases on administrative expenditures in fund code 1101 temporarily for each year of the biennium.	($1,200,000)	NR	($1,200,000)	NR
132 Eliminate HIV Case Management Eliminates funds for HIV case management services.	($1,668,027)	R	($1,668,027)	R
133 Eliminates Funding for CCNC-Health Choice Eliminates the per member/per month payment to the Community Care of North Carolina networks associated with Health Choice enrollees.	($900,000)	R	($900,000)	R
134 Reduction in Medical Assistance Payments Reduces Medical Assistance payments to be offset by federal recovery funds.	($920,377,105)	NR	($514,514,239)	NR
135 Legal Positions in the Attorney General's Office Provides nonrecurring funds for four time-limited attorney II positions at the Attorney General's office to continue to help with the backlog of Community Support appeals cases at the Office of Administrative Hearings (OAH).	$165,566	NR		
136 Medicaid Appeals Process Provides nonrecurring funding to continue to the employment of temporary hearing officers in the Division of Medical Assistance to help with the backlog of Community Support appeals cases.	$238,140	NR		

Senate Subcommittee on Health and Human Services	FY 09-10		FY 10-11	
(12.0) Division of Health Service Regulation				
137 Eliminate Vacant Positions Eliminates vacant positions within the Division of Health Service Regulation.	($444,518) -7.00	R	($444,518) -7.00	R
138 Operating Freeze Continues freeze on operating expenses from the FY 2008-09 budget (Other Operating - 2xxx-5xxx, Fund 1311 Rent/Lease-Bldg/Office).	($466,688)	R	($466,688)	R
139 Increase Fees for License Renewals Increases licensing fees to health care facilities regulated by the division and reduces State appropriation in a similar amount. The cost of administering the licensure program is shared with facilities.				
140 Eliminate Two Vacant Positions in Medical Facilities Construction Eliminates two vacant positions in the Medical Facilities Construction Section, which review construction plans, make on-site inspections, and provide consultation to ensure compliance with federal and State standards. The reduction will reduce the number of section staff to 63 FTEs.	($164,640) -2.00	R	($164,640) -2.00	R
141 Charge Fee for Initial Facility License Reduces State appropriations by amount generated by initial facility license fees for new facilities. Fees would apply to adult care homes, hospitals, home care, nursing homes, and mental health facilities.				
Total Legislative Changes	**($227,577,683)** **($1,032,666,144)**	R NR	**($252,313,316)** **($555,141,743)**	R NR
Total Position Changes	-520.49		-818.74	
Revised Budget	**$4,276,101,112**		**$4,999,105,886**	

67425 DHHS - Deaf/Hard of Hearing - Trust Telecomm

Trust

	FY 2009-10		FY 2010-11	
	Requirements	Receipts	Requirements	Receipts
Recommended Budget	$10,421,357	$10,421,357	$10,421,357	$10,421,357
Legislative Changes				
Transfer from Deaf/Hard of Hearing Trust Fund Transfers funds available in the cash balance of the Deaf/Hard of Hearing Trust Fund (Telecommunications Relay Service) to support General Fund appropriations ($5,000,000) for FY 2009-10; and, appropriates additional funds to Budget Code 24410 for the Data Collection and Case Management Systems initiative ($1,500,000).	$6,500,000			
Total Legislative Changes	$6,500,000			
Net Change in Fund Balance	($6,500,000)			



Health and Human Services

SENATE BUDGET SUBCOMMITTEE MEETING

April 6, 2009

Prepared by Legislative Drafting Division

PART X. DEPARTMENT OF HEALTH AND HUMAN SERVICES

CHILD CARE SUBSIDY RATES

SECTION 10.1.(a) The maximum gross annual income for initial eligibility, adjusted biennially, for subsidized child care services shall be seventy-five percent (75%) of the State median income, adjusted for family size.

SECTION 10.1.(b) Fees for families who are required to share in the cost of care shall be established based on a percent of gross family income and adjusted for family size. Fees shall be determined as follows:

FAMILY SIZE	PERCENT OF GROSS FAMILY INCOME
1-3	10%
4-5	9%
6 or more	8%.

SECTION 10.1.(c) Payments for the purchase of child care services for low-income children shall be in accordance with the following requirements:

(1) Religious-sponsored child care facilities operating pursuant to G.S. 110-106 and licensed child care centers and homes that meet the minimum licensing standards that are participating in the subsidized child care program shall be paid the one-star county market rate or the rate they charge privately paying parents, whichever is lower.

(2) Licensed child care centers and homes with two or more stars shall receive the market rate for that rated license level for that age group or the rate they charge privately paying parents, whichever is lower.

(3) Nonlicensed homes shall receive fifty percent (50%) of the county market rate or the rate they charge privately paying parents, whichever is lower.

(4) Maximum payment rates shall also be calculated periodically by the Division of Child Development for transportation to and from child care provided by the child care provider, individual transporter, or transportation agency, and for fees charged by providers to parents. These payment rates shall be based upon information collected by market rate surveys.

SECTION 10.1.(d) Provisions of payment rates for child care providers in counties that do not have at least 50 children in each age group for center-based and home-based care are as follows:

(1) Except as applicable in subdivision (2) of this subsection, payment rates shall be set at the statewide or regional market rate for licensed child care centers and homes.

(2) If it can be demonstrated that the application of the statewide or regional market rate to a county with fewer than 50 children in each age group is lower than the county market rate and would inhibit the ability of the county to purchase child care for low-income children, then the county market rate may be applied.

SECTION 10.1.(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 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.

SECTION 10.1.(f) Facilities licensed pursuant to Article 7 of Chapter 110 of the General Statutes and facilities operated pursuant to G.S. 110-106 may participate in the program that provides for the purchase of care in child care facilities for minor children of needy families. No separate licensing requirements shall be used to select facilities to

participate. In addition, child care facilities shall be required to meet any additional applicable requirements of federal law or regulations. Child care arrangements exempt from State regulation pursuant to Article 7 of Chapter 110 of the General Statutes shall meet the requirements established by other State law and by the Social Services Commission.

County departments of social services or other local contracting agencies shall not use a provider's failure to comply with requirements in addition to those specified in this subsection as a condition for reducing the provider's subsidized child care rate.

SECTION 10.1.(g) Payment for subsidized child care services provided with Work First Block Grant funds shall comply with all regulations and policies issued by the Division of Child Development for the subsidized child care program.

SECTION 10.1.(h) Noncitizen families who reside in this State legally shall be eligible for child care subsidies if all other conditions of eligibility are met. If all other conditions of eligibility are met, noncitizen families who reside in this State illegally shall be eligible for child care subsidies only if at least one of the following conditions is met:

(1) The child for whom a child care subsidy is sought is receiving child protective services or foster care services.

(2) The child for whom a child care subsidy is sought is developmentally delayed or at risk of being developmentally delayed.

(3) The child for whom a child care subsidy is sought is a citizen of the United States.

CHILD CARE ALLOCATION FORMULA

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

(1) Funds shall be allocated to a county based upon the projected cost of serving children under age 11 in families with all parents working who earn less than seventy-five percent (75%) of the State median income.

(2) No county's allocation shall be less than ninety percent (90%) of its State fiscal year 2001-2002 initial child care subsidy allocation.

SECTION 10.2.(b) The Department of Health and Human Services may reallocate unused child care subsidy voucher funds in order to meet the child care needs of low-income families. Any reallocation of funds shall be based upon the expenditures of all child care subsidy voucher funding, including Smart Start funds, within a county.

SECTION 10.2.(c) Notwithstanding subsection (a) of this section, the Department of Health and Human Services shall allocate up to twenty million dollars ($20,000,000) in federal block grant funds and State funds appropriated for fiscal years 2009-2010 and 2010-2011 for child care services. These funds shall be allocated to prevent termination of child care services. Funds appropriated for specific purposes, including market rate adjustments, may also be allocated by the Department separately from the allocation formula described in subsection (a) of this section.

CHILD CARE FUNDS MATCHING REQUIREMENT

SECTION 10.3. No local matching funds may be required by the Department of Health and Human Services as a condition of any locality's receiving its initial allocation of child care funds appropriated by this act unless federal law requires a match. 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 percent (20%) 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).

FACILITATE AND EXPEDITE USE OF CHILD CARE SUBSIDY FUNDS

SECTION 10.4. The Division of Child Development of the Department of Health and Human Services shall adopt temporary policies that facilitate and expedite the prudent expenditure of child care subsidy funds. These policies will address the following:

(1) Permitting the local purchasing agencies to issue time-limited vouchers to assist counties in managing onetime, nonrecurring subsidy funding.

(2) Extending the current 30/60 day job search policy to six months when a recipient experiences a loss of employment.

(3) Providing an upfront job search period of six months for former recipients who have lost employment since October 1, 2008.

(4) Providing a job search period of six months for recipients that complete school and are entering the job market.

(5) Notwithstanding any other provision of law, extending the 24-month education time limit for an additional 12 months for a child care recipient who has lost a job since October 1, 2008, or otherwise needs additional training to enhance his or her marketable skills for job placement due to the economic downturn and who has depleted his or her 24-month allowable education time.

(6) Lowering the number of hours a parent must be working in order to be eligible for subsidy to assist parents who are continuing to work but at reduced hours.

CHILD CARE REVOLVING LOAN

SECTION 10.5. Notwithstanding any law to the contrary, funds budgeted for the Child Care Revolving Loan Fund may be transferred to and invested by the financial institution contracted to operate the Fund. The principal and any income to the Fund may be used to make loans, reduce loan interest to borrowers, serve as collateral for borrowers, pay the contractor's cost of operating the Fund, or pay the Department's cost of administering the program.

CHILD CARE MARKET RATE ADJUSTMENTS

SECTION 10.6. Not later than October 1, 2009, the Department shall implement an adjustment to child care market rates, by region, based upon the 2009 Child Care Market Rate Study.

EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES ENHANCEMENTS

SECTION 10.7.(a) Administrative costs shall be equivalent to, on an average statewide basis for all local partnerships, not more than eight percent (8%) of the total statewide allocation to all local partnerships. For purposes of this subsection, administrative costs shall include costs associated with partnership oversight, business and financial management, general accounting, human resources, budgeting, purchasing, contracting, and information systems management.

SECTION 10.7.(b) The North Carolina Partnership for Children, Inc., and all local partnerships shall use competitive bidding practices in contracting for goods and services on contract amounts as follows:

(1) For amounts of five thousand dollars ($5,000) or less, the procedures specified by a written policy to be developed by the Board of Directors of the North Carolina Partnership for Children, Inc.
(2) For amounts greater than five thousand dollars ($5,000), but less than fifteen thousand dollars ($15,000), three written quotes.
(3) For amounts of fifteen thousand dollars ($15,000) or more, but less than forty thousand dollars ($40,000), a request for proposal process.
(4) For amounts of forty thousand dollars ($40,000) or more, a request for proposal process and advertising in a major newspaper.

SECTION 10.7.(c) The North Carolina Partnership for Children, Inc., and all local partnerships shall, in the aggregate, be required to match no less than fifty percent (50%) of the total amount budgeted for the program in each fiscal year of the biennium as follows: contributions of cash equal to at least fifteen percent (15%) and in-kind donated resources equal to no more than five percent (5%) for a total match requirement of twenty percent (20%) for each fiscal year. The North Carolina Partnership for Children, Inc., may carry forward any amount in excess of the required match for a fiscal year in order to meet the match requirement of the succeeding fiscal year. Only in-kind contributions that are quantifiable shall be applied to the in-kind match requirement. Volunteer services may be treated as an in-kind contribution for the purpose of the match requirement of this subsection. Volunteer services that qualify as professional services shall be valued at the fair market value of those services. All other volunteer service hours shall be valued at the statewide average wage rate as calculated from data compiled by the Employment Security Commission in the Employment and Wages in North Carolina Annual Report for the most recent period for which data are available. Expenses, including both those paid by cash and in-kind contributions, incurred by other participating non-State entities contracting with the North Carolina Partnership for Children, Inc., or the local partnerships, also may be considered resources available to meet the required private match. In order to qualify to meet the required private match, the expenses shall:

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

Failure to obtain a twenty percent (20%) match by June 30 of each fiscal year shall result in a dollar-for-dollar reduction in the appropriation for the Program for a subsequent fiscal year. The North Carolina Partnership for Children, Inc., shall be responsible for compiling information on the private cash and in-kind contributions into a report that is submitted to the Joint Legislative Commission on Governmental Operations in a format that allows verification by the Department of Revenue. The same match requirements shall apply to any expansion funds appropriated by the General Assembly.

SECTION 10.7.(d) The Department of Health and Human Services shall continue to implement the performance-based evaluation system.

SECTION 10.7.(e) The Department of Health and Human Services and the North Carolina Partnership for Children, Inc., shall ensure that the allocation of funds for Early Childhood Education and Development Initiatives for State fiscal years 2009-2010 and 2010-2011 shall be administered and distributed in the following manner:

(1) Capital expenditures are prohibited for fiscal years 2009-2010 and 2010-2011. For the purposes of this section, "capital expenditures" means expenditures for capital improvements as defined in G.S. 143C-1-1(d)(5).

(2) Expenditures of State funds for advertising and promotional activities are prohibited for fiscal years 2009-2010 and 2010-2011.

SECTION 10.7.(f) A county may use the county's allocation of State and federal child care funds to subsidize child care according to the county's Early Childhood Education and Development Initiatives Plan as approved by the North Carolina Partnership for Children, Inc. The use of federal funds shall be consistent with the appropriate federal regulations. Child care providers shall, at a minimum, comply with the applicable requirements for State licensure pursuant to Article 7 of Chapter 110 of the General Statutes.

SECTION 10.7.(g) For fiscal years 2009-2010 and 2010-2011, the local partnerships shall spend an amount for child care subsidies that provides at least fifty-two million dollars ($52,000,000) for the TANF maintenance of effort requirement and the Child Care Development Fund and Block Grant match requirement. The North Carolina Partnership for Children, Inc., shall not spend less on child care subsidies than the spending level for fiscal year 2008-2009.

CONTINUE MORE AT FOUR PROGRAM FOR 2009-2010 FISCAL YEAR

SECTION 10.8.(a) The Department of Public Instruction and Division of Child Development of the Department of Health and Human Services shall continue the implementation of the More at Four prekindergarten program for at-risk four-year-olds who are at risk of failure in kindergarten through the 2009-2010 fiscal year. The program is available statewide to all counties that choose to participate, including underserved areas. The goal of the program is to provide quality prekindergarten services to a greater number of at-risk children in order to enhance kindergarten readiness for these children. The program shall be consistent with standards and assessments established jointly by the Department of Health and Human Services and the Department of Public Instruction.

SECTION 10.8.(b) The Office of School Readiness of the Department of Instruction shall reduce the reimbursement rates per slot statewide. The program funding is reduced by forty million dollars ($40,000,000) recurring beginning for the 2009-2010 fiscal year. The Office of School Readiness, in conjunction with Division of Child Development, shall plan to minimize the number of slots eliminated by reducing the amount of funds paid per slot statewide.

SECTION 10.8.(c) A child whose parent is deployed in the military shall be eligible for participation in the More at Four program.

MORE AT FOUR PROGRAM

SECTION 10.9.(a) The More at Four program is transferred to the Department of Health and Human Services, effective July 1, 2009.

SECTION 10.9.(b) The star rating system currently in place for licensure shall have an additional Plus (+) designation identifying those programs offering a high quality four-year-old classroom. The Plus program shall be administered within the Regulatory Services Section of the Division of Child Development as a high quality four-year-old classroom operated within private child care centers and public schools and will be designated as a Plus program.

SECTION 10.9.(c) The Plus program shall be no less stringent than current standards of the More at Four program in place for the 2008-2009 fiscal year and shall ensure lower ratios of teachers to students and require higher teacher qualifications. The Plus program shall offer a curriculum approved by the Division of Child Development.

SECTION 10.9.(d) Eligibility requirements for the Plus program shall be in accordance with current child care subsidy eligibility requirements as established by the General Assembly. The new reimbursement rate plan shall be in accordance with the child care subsidy program implemented for the 2010-2011 fiscal year.

SECTION 10.9.(e) Public school systems shall be allowed reimbursement through the Division of Child Development for students qualifying for subsidy for its Plus programs. Beginning in school year 2010-2011, the screening process for children applying for subsidy for a Plus program shall occur through the regular subsidy application process in collaboration with local partnerships of the North Carolina Partnership for Children, Inc., county departments of social services, and local school administrative units. Counties are encouraged to develop a single application process for child care subsidy accepted in many locations throughout the county.

SECTION 10.9.(f) Parent payments for the Plus program shall be in accordance with child care subsidy rules adopted by the Division of Child Development for the 2010-2011 fiscal year.

SECTION 10.9.(g) On or before December 1, 2009, the Division of Child Development shall report on the star-rated system and the incorporation of the Plus program. The report will include an analysis of the star-rated system and identify the standards for each and the differences between the various levels.

ADMINISTRATIVE ALLOWANCE FOR COUNTY DEPARTMENTS OF SOCIAL SERVICES

SECTION 10.10. The Division of Child Development of the Department of Health and Human Services shall increase the allowance that county departments of social services may use for administrative costs from four percent (4%) to five percent (5%) of the county's total child care subsidy funds allocated in the Child Care Development Fund Block Grant plan. The increase shall be effective for the 2009-2010 fiscal year.

INCREASE CHILD CARE LICENSING FEES FOR CHILD CARE FACILITIES

SECTION 10.11. G.S. 110-90(1a) reads as rewritten:

"**§ 110-90. Powers and duties of Secretary of Health and Human Services.**

The Secretary shall have the following powers and duties under the policies and rules of the Commission:

...

(1a) To establish a fee for the licensing of child care ~~centers~~ facilities. The fee does not apply to a religious-sponsored child care ~~center~~ facility operated pursuant to a letter of compliance. The amount of the fee may not exceed the amount listed in this subdivision.

Capacity of ~~Center~~Facility	**Maximum Fee**
12 or fewer children	~~$ 35.00~~$52.00
13-50 children	~~$125.00~~$187.00
51-100 children	~~$250.00~~$375.00
101 or more children	~~$400.00~~$600.00

...."

MENTAL HEALTH CHANGES

SECTION 10.12.(a) For the purpose of mitigating cash flow problems that many non-single-stream local management entities (LMEs) experience at the beginning of each fiscal year, the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall adjust the timing and method by which allocations of service dollars are distributed to each non-single-stream LME. To this end, the allocations shall be adjusted such that at the beginning of the fiscal year the Department shall distribute not less than one-twelfth of the LME's continuation allocation and subtract the amount of the adjusted distribution from the LME's total reimbursements for the fiscal year.

SECTION 10.12.(b) Onetime funds appropriated for the Dorothea Dix Hospital overflow unit shall be used to support the temporary operation of the hospital unit on the Dorothea Dix campus.

SECTION 10.12.(c) The Department shall evaluate the need to continue the temporary operation of the hospital unit for one additional year and provide a recommendation to the Governor no later than February 15, 2010. Notwithstanding any other provision of law to the contrary, the Office of State Budget and Management shall establish the positions for the hospital unit on the Dorothea Dix campus as time-limited positions.

SECTION 10.12.(d) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, the sum of twenty million one hundred twenty-one thousand six hundred forty-four dollars ($20,121,644) for the 2009-2010 fiscal year and the sum of twenty million one hundred twenty-one thousand six hundred forty-four dollars ($20,121,644) for the 2010-2011 fiscal year shall be allocated for the purchase of local inpatient psychiatric beds or bed days. These beds or bed days shall be distributed across the State according to need as determined by the Department. The Department shall enter into contracts with the LMEs and community hospitals for the management of these beds or bed days. Local inpatient psychiatric beds or bed days shall be managed and controlled by the LME, including the determination of which local or State hospital the individual should be admitted to pursuant to an involuntary commitment order. Funds shall not be allocated to LMEs but shall be held in a statewide reserve at the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to pay for services authorized by the LMEs and billed by the hospitals through the LMEs. LMEs shall remit claims for payment to the Division within 15 working days of receipt of a clean claim from the hospital and shall pay the hospital within 30 working days of receipt of payment from the Division. If the Department determines (i) that an LME is not effectively managing the beds or bed days for which it has responsibility, as evidenced by beds or bed days in the local hospital not being utilized while demand for services at the State psychiatric hospitals has not reduced, or (ii) the LME has failed to comply with the prompt payment provisions of this subsection, the Department may contract with another LME to manage the beds or bed days, or, notwithstanding any other provision of law to the contrary, may pay the hospital directly. The Department shall develop reporting requirements for LMEs regarding the utilization of the beds or bed days. Funds appropriated in this section for the purchase of local inpatient psychiatric beds or bed days shall be used to purchase additional beds or bed days not currently funded by or through LMEs and shall not be used to supplant other funds available or otherwise appropriated for the purchase of psychiatric inpatient services under contract with community hospitals, including beds or bed days being purchased through Hospital Utilization Pilot funds appropriated in S.L. 2007-323. Not later than March 1, 2010, the Department shall report to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate, the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, and the Fiscal Research Division on a uniform system for beds or bed days purchased (i) with local funds, (ii) from

existing State appropriations, (iii) under the Hospital Utilization Pilot, and (iv) purchased using funds appropriated under this subsection.

SECTION 10.12.(e) The Secretary of the Department of Health and Human Services shall not take any action prior to January 1, 2010, that would result in the merger or consolidation of LMEs operating on January 1, 2008, or that would establish consortia or regional arrangements for the same purpose, except that LMEs that do not meet the catchment area requirements of G.S. 122C-115 as of January 1, 2010, may initiate, continue, or implement the LMEs' merger or consolidation plans to overcome noncompliance with G.S. 122C-115. This subsection does not prohibit LME's from voluntarily merging if they are contiguous or consolidating administrative functions.

SECTION 10.12.(f) 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 mobile crisis teams, the sum of five million seven hundred fifty-five thousand dollars ($5,755,000) shall be distributed to LMEs to support 30 mobile crisis teams. The new mobile crisis units shall be distributed over the State according to need as determined by the Department.

REENACT 2007 SPECIAL PROVISION ON COLLABORATION ON SCHOOL-BASED CHILD AND FAMILY TEAM INITIATIVE

SECTION 10.13. Section 10.9 of S.L. 2007-323 is reenacted for the 2009-2011 fiscal biennium.

CLOSURE OF WRIGHT AND WHITAKER SCHOOLS

SECTION 10.14. The Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall close the Wright School and the Whitaker School, effective December 31, 2009.

The Division shall prepare a transition plan for each student currently attending these schools, which shall include assisting in the location of community services for the student, working with the public school system in preparing or updating the student's individualized education plan, and working with the local management entity (LME) to ensure that the needs of the student are met. The LME shall conduct a six-month follow-up on each of these students.

The Division shall report on student transitions, student participation in any community or residential programs, and student progress six months after the school closures. The Division shall submit the report to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, and the Fiscal Research Division not later than August 30, 2010.

The Department shall ensure that all possible measures are taken to provide a State job for employees of these schools.

SUBSTANCE ABUSE TASK FORCE RECOMMENDATIONS/AVAILABILITY OF SUBSTANCE ABUSE TREATMENT

SECTION 10.15.(a) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, the sum of one million dollars ($1,000,000) shall be used to implement one or more priority recommendations of the North Carolina Institute of Medicine (NCIOM) Substance Abuse Task Force, which include:

(1) Development of a comprehensive substance abuse prevention plan for use at the State and local levels.

(2) Providing funding for the establishment of six pilot projects to implement county or multicounty comprehensive prevention plans.
(3) Supporting efforts to reduce high-risk drinking on college campuses.
(4) Development of a pilot program to provide chronic disease management services to substance abuse clients and former clients. The purpose of the pilot is to decrease the number of short-term hospital admissions and to provide discharge planning and follow-up to reduce substance abuse client recidivism.
(5) Educating and encouraging health care professionals to use the screening, brief intervention, and referral to treatment (SBIRT) model promoted by the federal government.

SECTION 10.15.(b) Consistent with G.S. 122C-2, the General Assembly strongly encourages Local Management Entities (LMEs) to use a portion of the funds appropriated for substance abuse treatment services to support prevention and education activities.

SECTION 10.15.(c) An LME may use up to one percent (1%) of funds allocated to it for substance abuse treatment services to provide nominal incentives for consumers who achieve specified treatment benchmarks, in accordance with the federal substance abuse and mental health services administration best practice model entitled Contingency Management.

SECTION 10.15.(d) In providing treatment and services for adult offenders and increasing the number of Treatment Accountability for Safer Communities (TASC) case managers, local management entities shall consult with TASC to improve offender access to substance abuse treatment and match evidence-based interventions to individual needs at each stage of substance abuse treatment. Special emphasis should be placed on intermediate punishment offenders, community punishment offenders at risk for revocation, and Department of Correction (DOC) releasees who have completed substance abuse treatment while in custody.

In addition to the funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, to provide substance abuse services for adult offenders and to increase the number of TASC case managers, the Department shall allocate up to three hundred thousand dollars ($300,000) to TASC. These funds shall be allocated to TASC before funds are allocated to LMEs for mental health services, substance abuse services, and crisis services.

SECTION 10.15.(e) In providing drug treatment court services, LMEs 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. During the 52-week drug treatment court program, participants shall receive an array of treatment and aftercare services that meets the participant's level of need, including step-down services that support continued recovery.

SECTION 10.15.(f) Not later than October 1, 2009, the Department of Health and Human Services shall complete the development of a Uniform Screening Tool (UST) to determine the mental health of any individual admitted to any long-term care facility. The Department shall report on the status of UST development on or before January 1, 2010, to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services.

TOTAL QUALITY MANAGEMENT

SECTION 10.16. The Secretary of the Department of Health and Human Services shall implement a Total Quality Management Program in hospitals and other State facilities for the purpose of providing a high level of customer service by well-trained staff throughout the

organization. The focus of this management approach shall be on meeting customer needs by providing high-quality services.

The Department shall involve staff at all levels of the organization by soliciting suggestions and input into decision making by managers. The Department shall create staff committees composed of a representative distribution of rank and file employees, to evaluate policy changes and identify training opportunities and other necessary improvements.

The Department shall submit a report on the status of the Total Quality Management Program, including any activities associated with its implementation within State facilities, to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, and the Fiscal Research Division not later than December 1, 2009.

BUDGET REDUCTIONS FOR DIVISION OF MH/DD/SA

SECTION 10.17. The Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall reduce its budget in the following areas for the 2009-2010 and 2010-2011 fiscal years:

Facility	Fund Code	FY 2009-2010	FY 2010-2011
Broughton Hospital	4541	$ (34,220)	
Broughton Hospital	4541		$ (136,550)
Broughton Hospital	4549	$ (7,000)	
Longleaf Neuro-Medical	4541	$ (64,000)	
Longleaf Neuro-Medical	4541	$ (24,000)	
Longleaf Neuro-Medical	4541		$ (72,500)
Black Mountain Neuro-Medical	4541		$ (25,796)
Caswell Developmental Center	4541	$ (210,632)	
Caswell Developmental Center	4541		$ (320,500)
Caswell Developmental Center	4549	$ (16,500)	
Murdoch Center	3210	$ (14,447)	$ (14,447)
Murdoch Center	4541	$ (200,750)	
Murdoch Center	4541		$ (93,200)
O-Berry Neuro-Medical	4521	$ (60,702)	$ (21,102)
O-Berry Neuro-Medical	4541	$ (22,103)	
Iverson Riddle Center	3110	$ (12,153)	$ (12,153)
Walter Jones ADATC	3110	$ (5,852)	$ (5,852)
Walter Jones ADATC	4541	$ (24,500)	
Walter Jones ADATC	4549	$ (8,800)	
TOTAL REDUCTIONS		$ (705,659)	$ (709,100)

New purchases of vehicles for the regional maintenance facilities are subject to approval by the Secretary.

STUDY THE AVAILABILITY OF COMMUNITY MH/DD/SA SERVICES FOR MILITARY FAMILIES

SECTION 10.18. Funds appropriated in this act to the Department of Health and Human Services for North Carolina Institute of Medicine (NCIOM) shall be used to study the availability of Medicaid and State-funded mental health, developmental disability, and substance abuse services to active duty, reserve, and veteran members of the military and National Guard. The study should discuss the current availability of services, the extent of use, and any gaps in services. The NCIOM shall submit a report of its findings and any

recommended legislation to the Governor's Office, the Joint Legislative Commission on Governmental Operations, and the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services by February 15, 2010.

FUNDS FOR LOCAL MANAGEMENT ENTITY (LME) SERVICE GAPS

SECTION 10.19. Funds appropriated in this act for mental health services and supported employment 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. Funds appropriated to the Department of Health and Human Services for the 2009-2010 and 2010-2011 fiscal years for mental health services, substance abuse services, and crisis services and allocated based on the poverty level shall continue to be allocated by the Department 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.

TRANSITION OF UTILIZATION MANAGEMENT OF COMMUNITY-BASED SERVICES TO LOCAL MANAGEMENT ENTITIES

SECTION 10.20. Consistent with the findings of the Mercer evaluation of Local Management Entities (LMEs), the Department of Health and Human Services shall collaborate with LMEs to enhance their administrative capabilities to assume utilization management responsibilities for the provision of community-based mental health, developmental disabilities, and substance abuse services. The Department may, with approval of the Office of State Budget and Management, use funds available to implement this section.

MENTAL HEALTH TRUST FUND ALLOCATIONS

SECTION 10.21. Notwithstanding any other provision of law to the contrary, funds allocated from the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs (Fund) in the 2007 fiscal biennium shall not revert to the Fund nor otherwise be withheld but shall be allocated to those programs for which the funds were originally obligated.

VITAL RECORDS FEES

SECTION 10.22. G.S. 130A-93.1 reads as rewritten:

"**§ 130A-93.1. Fees for vital records copies or search; automation fund.**

(a) The State Registrar shall collect, process, and utilize fees for services as follows:

(1) A fee not to exceed ~~fifteen dollars ($15.00)~~ twenty dollars ($20.00) shall be charged for issuing ~~any~~ a first copy of a vital record or for conducting a routine search of the files for the record when no copy is made. A fee of fifteen dollars ($15.00) shall be charged for each additional certificate copy requested from the same search. When certificates are issued or searches conducted for statewide issuance by local agencies using databases maintained by the State Registrar, the local agency shall charge ~~this fee~~ these fees and shall ~~forward five dollars ($5.00) of this fee~~ retain ten dollars ($10.00) of these fees to cover local administrative costs and forward the remaining fees to the State Registrar for the purposes established in subsection (b) of this section.

(2) A fee not to exceed fifteen dollars ($15.00) for in-State requests and not to exceed twenty dollars ($20.00) for out-of-state requests shall be charged in addition to the fee charged under subdivision (1) of this subsection and to all

shipping and commercial charges when expedited service is specifically requested.

(2a) The fee for a copy of a computer or microform database shall not exceed the cost to the agency of making and providing the copy.

(3) Except as provided in subsection (b) of this section, fees collected under this subsection shall be used by the Department for public health purposes.

(b) The Vital Records Automation Account is established as a nonreverting account within the Department. Five dollars ($5.00) of each fee collected pursuant to subdivision (a)(1) shall be credited to this Account. The Department shall use the revenue in the Account to fully automate and maintain the vital records system. When funds sufficient to fully automate and maintain the system have accumulated in the Account, fees shall no longer be credited to the Account but shall be used as specified in subdivision (a)(3) of this section."

CHANGES TO COMMUNITY-FOCUSED ELIMINATING HEALTH DISPARITIES INITIATIVE

SECTION 10.23.(a) Funds appropriated in this act from the General Fund to the Department of Health and Human Services for the Community-Focused Eliminating Health Disparities Initiative (CFEHDI) shall be used 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 the health status of 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.

SECTION 10.23.(b) Funds appropriated in this act to the Department of Health and Human Services, Division of Public Health, for the CFEHDI shall be awarded as a grant-in-aid to honor the memory of the following recently deceased members of the General Assembly: Bernard Allen, John Hall, Robert Holloman, Howard Hunter, Jeanne Lucas, and William Martin. These funds shall be used for concerted efforts to address large gaps in health status among North Carolinians who are African-American, as well as disparities among other minority populations in North Carolina.

SECTION 10.23.(c) The Department of Health and Human Services shall report on the following with respect to funds appropriated to the CFEHDI for the 2009-2010 fiscal year. The report shall address the following:

(1) Which community programs and local health departments received CFEHDI grants.

(2) The amount of funding each program or local health department received.

(3) Which of the minority populations were served by the programs or local health departments.

(4) Which counties were served by the programs or local health departments.

(5) What activities were planned and implemented by the programs or local health departments to fulfill the community focus of the CFEHDI program.

(6) How the activities implemented by the programs or local health departments fulfilled the goal of reducing health disparities among minority populations.

The report shall also include specific activities undertaken pursuant to subsection (a) of this section to address large gaps in health status among North Carolinians who are African-American and other minority populations in this State. The Department shall submit the report not later than March 15, 2010, 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.

FUNDS FOR SCHOOL NURSES

SECTION 10.24.(a) All funds appropriated for the school nurse initiative shall be used to supplement and not supplant other State, local, or federal funds appropriated or allocated for this purpose. Communities shall maintain their current level of effort and funding for school nurses. These funds shall not be used for funding nurses for State agencies. All funds shall be used for direct services.

SECTION 10.24.(b) All school nurses funded with State funds shall participate, as needed, in child and family teams.

SECTION 10.24.(c) Of the funds appropriated to the Department of Health and Human Services, Division of Public Health, for the 2009-2010 and 2010-2011 fiscal years, the sum of one million dollars ($1,000,000) in each fiscal year shall be used to hire 20 additional school health nurses bringing the total number of school nurses supported by DHHS to 232. The distribution of additional school nurses shall be made according to the criteria established by the Department in 2006.

AIDS DRUG ASSISTANCE PROGRAM

SECTION 10.25. For the 2009-2010 and 2010-2011 fiscal years, the Department may, within existing Aids Drug Assistance Program (ADAP) resources, adjust the financial eligibility criterion of the ADAP up to an amount not exceeding three hundred percent (300%) 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 a waiting list develops as a result of the eligibility criterion being raised, the Department shall give first priority to those individuals on the waiting list with income at or below one hundred twenty-five percent (125%) of the federal poverty level, and second priority to those individuals with income above one hundred twenty-five percent (125%) and at or below two hundred fifty percent (250%) of federal poverty guidelines.

PUBLIC HEALTH IMPROVEMENT PLAN

SECTION 10.26.(a) The Department of Health and Human Services (DHHS) shall develop a five-year Public Health Improvement Plan (Plan) by March 31, 2010. In developing the Plan the Secretary shall:

(1) Adopt a list of services and activities performed by local health departments that qualify as core public health functions of statewide significance.

(2) Adopt a list of performance measures with the intent of improving health status indicators applicable to core public health functions of statewide significance that local health departments (LHDs) must provide.

(3) Identify a set of health status indicators to be given priority by LHDs.

Under the Plan, all priorities and health status indicators must incorporate as an essential activity the disparity of diseases amongst populations and locales.

SECTION 10.26.(b) In order for measurable benefits to be realized through the implementation of the Plan, the Plan shall include the adoption of levels of performance necessary to promote:

(1) Uniformity across local health departments,

(2) Best evidence-based services,

(3) National standards of performance,

(4) Innovations in public health practice, and

(5) Reduction of geographic and racial health disparities.

LHDs shall have the flexibility and opportunity to use the resources available to achieve the required performance measures in a manner that best suits the LHD.

SECTION 10.26.(c) The Plan will address the need to provide county health departments with financial incentives to encourage and increase local investment in public

health functions. County governments shall not supplant existing local funding with State incentive resources. The Secretary may revise the list of activities and performance measures as appropriate, but before doing so, the Secretary shall provide a written explanation of the rationale for the addition, deletion, or revision.

SECTION 10.26.(d) In developing the Plan the Secretary shall establish and chair the Public Health Improvement Plan Task Force (Task Force), the members and expertise of which shall include:

(1) Local health departments,
(2) Department staff,
(3) Individuals and entities with expertise in the development of performance measures, accountability, and systems management;
(4) Experts in development of evidence-based medical guidelines or public health practice guidelines, and
(5) Individuals and entities that will be affected by the performance measures.

SECTION 10.26.(e) The implementation schedule for the Plan shall be as follows:

(1) July 1, 2009, establish the Task Force to develop the Plan,
(2) March 31, 2010, submit the Plan to the 2010 Regular Session of the 2009 General Assembly,
(3) July 1, 2010, implement the Plan, and
(4) November 15, 2011, and annually thereafter, report on Plan implementation.

SECTION 10.26.(f) The Department will identify the programmatic activities and funding in the Division of Public Health associated with the core functions and activities in the Plan. Funds associated with these activities shall be subject to a flexible spending formula adopted by the Department, as follows:

(1) Beginning in SFY 2010-2011, the flexible spending formula will begin to replace the current spending with a more effective method of funding public health activities at the local level and achieving the results expected.
(2) The Task Force shall identify a reliable and consistent source of State revenue to fund the flexible spending formula.
(3) If sufficient additional revenue is available to implement the Plan, a separate set-aside of available funds would be created. This set-aside would be available to contiguous LHDs that seek to address a specific women's health, child health, or adult health disease or chronic condition, and in doing so, choose to merge into a single Local Health District, thus saving administrative dollars to be focused on public health issues.

SECTION 10.26.(g) Funds appropriated to the Department for flexible spending shall be distributed to county health departments as follows:

(1) Each of the county health departments will receive a base amount to be determined by the DHHS.
(2) The balance of funds in the Flexible Spending Account is to be distributed to the counties on the basis of a formula that takes into consideration the following elements:
    a. Population,
    b. Per capita income,
    c. Rates of:
        1. Infant mortality,
        2. Teenage pregnancy,
        3. Tobacco use,
        4. Cancer,
        5. Heart disease,
        6. Diabetes, and

7. Stroke.
d. Percent of minorities in the county,
e. Body Mass Index (BMI) of public school students, and
f. Other factors as the Secretary may find necessary to achieve the goals of the Plan.

(3) The use of the funds by the LHD would reflect the core public health functions. It will be incumbent upon the LHD to use the funds in a manner that assures its achievement of the performance measures adopted by the Secretary.

SECTION 10.26.(h) To ensure compliance with Department directives, the Task Force shall consider requiring each county health department to submit to the Secretary such data as the Secretary determines is necessary to allow the Secretary to assess whether the county health department has used the funds in a manner consistent with achieving the performance measures associated with this Plan.

SECTION 10.26.(i) Beginning November 15, 2011, and biannually thereafter, the Secretary shall report to the Governor and the General Assembly on:

(1) The distribution of funds to LHDs,
(2) The use of these funds by LHDs,
(3) The specific effect the funding from this Plan has had on:
a. LHDs' performance,
b. Health status indicators, and
c. Health disparities.

The Secretary's initial report will focus on implementation. Subsequent reports will evaluate trends in performance and expenditures.

HEALTH INFORMATION TECHNOLOGY

SECTION 10.27.(a) The Department of Health and Human Services, in cooperation with the State Chief Information Officer and the North Carolina Office of Economic Recovery and Investment, shall coordinate health information technology (HIT) policies and programs within the State of North Carolina. The Department's goal in coordinating State HIT policy and programs shall be to avoid duplication of efforts and to ensure that each State agency, public entity, and private entity that undertakes health information technology activities associated with the American Recovery and Reinvestment Act of 2009 (ARRA) does so within the area of its greatest expertise and technical capability, and in a manner that supports coordinated State and national goals, which shall include at least all of the following:

(1) Ensuring that patient health information is secure and protected, in accordance with applicable law.
(2) Improving health care quality, reducing medical errors, reducing health disparities, and advancing the delivery of patient-centered medical care.
(3) Providing appropriate information to guide medical decisions at the time and place of care.
(4) Ensuring meaningful public input into HIT infrastructure development.
(5) Improving the coordination of information among hospitals, laboratories, physician offices, and other entities through an effective infrastructure for the secure and authorized exchange of health care information.
(6) Improving public health services and facilitating early identification and rapid response to public health threats and emergencies, including bioterrorist events and infectious disease outbreaks.
(7) Facilitating health and clinical research.
(8) Promoting early detection, prevention, and management of chronic diseases.

SECTION 10.27.(b) The Department of Health and Human Services shall establish and direct a HIT management structure that is efficient and transparent and that is compatible with the Office of the National Health Coordinator for Information Technology (National Coordinator) governance mechanism. The HIT management structure shall be responsible for all of the following:

(1) Developing a State plan for implementing and ensuring compliance with national HIT standards, and for the most efficient, effective, and widespread adoption of HIT.

(2) Ensuring that (i) specific populations are effectively integrated into the State plan, including aging populations, populations requiring mental health services, and populations utilizing the public health system; and (ii) unserved and underserved populations receive priority consideration for HIT support.

(3) Identifying all HIT stakeholders and soliciting feedback and participation from each stakeholder in the development of the State plan.

(4) Ensuring that existing HIT capabilities are considered and incorporated into the State plan.

(5) Identifying and eliminating conflicting HIT efforts where necessary.

(6) Identifying available resources for the implementation, operation, and maintenance of health information technology, including, but not limited to, the ARRA, with emphasis on identifying resources and available opportunities for North Carolina institutions of higher learning.

(7) Ensuring that the appropriate State entities receive all the necessary information and support to successfully compete for funding included in the ARRA.

(8) Ensuring that potential State plan participants are aware of HIT policies and programs and the opportunity for improved health information technology.

(9) Monitoring HIT efforts and initiatives in other States and replicating successful efforts and initiatives in North Carolina.

(10) Monitoring the development of the National Coordinator's strategic plan and ensuring that all stakeholders are aware of and in compliance with its requirements.

(11) Monitoring the progress and recommendations of the HIT Policy and Standards Committees and ensuring that all stakeholders remain informed of the Committee's recommendations.

(12) Monitoring all studies and reports provided to the United States Congress and reporting to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on the impact of report recommendations on State efforts to implement coordinated HIT.

SECTION 10.27.(c) Beginning October 1, 2009, the Department of Health and Human Services shall provide quarterly written reports on the status of HIT efforts 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. The report shall include the following:

(1) Current status of federal HIT initiatives.

(2) Current status of State HIT efforts and initiatives among both public and private entities.

(3) A breakdown of current public and private funding sources and dollar amounts for State HIT initiatives.

(4) Department efforts to coordinate HIT initiatives within the State, and any obstacles or impediments to coordination.

(5) HIT research efforts being conducted within the State, and sources of funding for research efforts.

(6) Opportunities for stakeholders to participate in HIT funding and other efforts and initiatives during the next quarter.

(7) Issues associated with the implementation of HIT in North Carolina and recommended solutions to these issues.

HOSPITAL-ACQUIRED INFECTIONS

SECTION 10.28. The Department of Health and Human Services shall apply for federal funds that are available through P.L. 111-15, the American Recovery and Reinvestment Act, to develop and implement a mandatory statewide hospital-acquired infections surveillance and reporting system, as recommended by the Joint Study Committee on Hospital Infection Control and Disclosure.

MEN'S HEALTH

SECTION 10.29. The Department of Health and Human Services, Division of Public Health, shall use funds available to delegate to the Chronic Disease Prevention and Control Office the responsibility for ensuring attention to the prevention of disease and improvement in the quality of life for men over their entire lifespan. The Department shall develop strategies for achieving these goals, which shall include (i) developing a strategic plan to improve health care services, (ii) build public heath awareness, and (iii) develop initiatives within existing programs.

FACILITATION OF ENROLLMENT AND REENROLLMENT OF ELIGIBLE CHILDREN IN MEDICAID AND NC HEALTH CHOICE

SECTION 10.30. The Department of Health and Human Services shall increase its efforts to simplify the eligibility determination and recertification process to facilitate the enrollment and reenrollment of eligible Medicaid and NC Health Choice individuals. The Department shall also:

(1) Explore various opportunities through public awareness campaigns and enlisting community organizations to alert families of the opportunities of Medicaid and NC Health Choice to provide preventive health care to their children; and

(2) Pursue opportunities in the federal Children's Health Insurance Program Reauthorization Act (CHIPRA) to enhance outreach efforts and enrollment for children in Medicaid and NC Health Choice. These enhancements include funding for outreach and enrollment activities and implementation of the "Express Lane" option that uses agencies that determine eligibility for TANF, IV-D SNAP, Head Start, and School Lunch programs to enroll children.

The Department shall also submit a Medicaid State Plan Amendment to take advantage of recent federal legislation (CHIPRA) allowing states to provide medical assistance to children and pregnant women who are lawfully residing in the United States.

NC HEALTH CHOICE TRANSITION

SECTION 10.31.(a) The Secretary of the Department of Health and Human Services shall develop and implement a plan for assuming administrative responsibility for the North Carolina Health Choice for Children program by transitioning all administrative oversight and claims processing activities from the Executive Administrator and Board of Trustees of the State Health Plan for Teachers and State Employees to the Division of Medical Assistance. The transition of all administrative oversight and claims processing from the State

Health Plan to the Division of Medical Assistance shall be completed not later than July 1, 2010. The Secretary shall report to the Joint Legislative Health Care Oversight Committee and the Committee on Employee Hospital and Medical Benefits at least 30 days prior to effecting the transition of the responsibilities for the administration and processing of claims for benefits provided under the North Carolina Health Choice for Children program from the Executive Administrator and Board of Trustees of the State Health Plan for Teachers and State Employees to the Department.

SECTION 10.31.(b) In consultation with the Department of Health and Human Services, Division of Medical Assistance, and other appropriate organizations, the Office of State Budget and Management (OSBM) shall conduct an independent analysis of the cost to determine appropriate staffing levels to manage and implement the transition of NC Health Choice from the State Health Plan to the Division to ensure that the transition of NC Health Choice occurs with minimal disruption and that the Division has adequate staffing and an organizational structure that fits with its existing structure. The Office of State Budget and Management shall report with staffing recommendations by March 1, 2010, 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.

NC HEALTH CHOICE/PROCEDURES FOR CHANGING MEDICAL POLICY

SECTION 10.32. Chapter 108A of the General Statutes is amended by adding a new section to read:

"**§ 108A-54.3. 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 applicable to the North Carolina Health Choice Program for Children, 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 North Carolina Health Choice Program for Children 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 North Carolina Health Choice Program for Children 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."

NC HEALTH CHOICE MEDICAL POLICY

SECTION 10.33. Unless required for compliance with federal law, the Department shall not change medical policy affecting the amount, sufficiency, duration, and scope of NC Health Choice 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 one million dollars ($1,000,000) in total requirements for a given fiscal year, then the Department shall submit the proposed medical 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 one million dollars ($1,000,000) 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. For medical policy changes exceeding one million dollars ($1,000,000) in total requirements for a given fiscal year that are required for compliance with federal law, the Department shall submit the proposed medical policy or policy interpretation change with a five-year fiscal analysis to the Office of State Budget and Management prior to implementing the change. 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 one million dollars ($1,000,000).

NC HEALTH CHOICE ENROLLMENT

SECTION 10.34. The Department of Health and Human Services may, in the NC Health Choice Program for the 2009-2010 fiscal year, allow enrollment to grow by not more than 15,583 children.

NCHC FUNDS REDUCTION/CCNC

SECTION 10.35.(a) The last paragraph of G.S. 108A-70.21(b) reads as rewritten:

"**§ 108A-70.21. Program eligibility; benefits; enrollment fee and other cost-sharing; coverage from private plans; purchase of extended coverage.**

...

The Department shall provide services to children enrolled in the NC Health Choice Program through Community Care of North Carolina (CCNC) and shall pay Community Care of North Carolina providers for these services as allowed under Medicaid. The Department shall pay for these services only if sufficient information is available to the Department for utilization management of the services provided through CCNC."

SECTION 10.35.(b) The Department of Health and Human Services, Division of Medical Assistance, shall reduce or eliminate funding for per member/per month fees paid to Community Care of North Carolina (CCNC) if sufficient information is not available to the Department for utilization management of the provider services.

COMMUNITY CARE OF NORTH CAROLINA

SECTION 10.36.(a) Given the primary care case management foundation established by Community Care of North Carolina, the Department shall build upon that foundation to ensure quality care and cost control of CCNC by implementing the activities listed in subsection (b) of this section.

SECTION 10.36.(b) The Department shall contract with CCNC to manage the care of Medicaid recipients, through a per member, per month reimbursement. In the contract

DHHS shall ensure that CCNC adheres to the following tenets, adapted from the National Committee of Quality Assurance's (NCQA) national measures for Medical Homes Models. The CCNC networks must demonstrate proficiency in:

(1) Written standards for patient access and patient communication;
(2) Use of data to show patients are meeting this standard;
(3) Adoption and implementation of evidenced-based guidelines for priority diseases and conditions as identified by DHHS;
(4) Active support, monitoring, follow-up, and documentation on patient self-management;
(5) Tracking system to test and identify abnormal results, and follow-up in a timely manner;
(6) Tracking referrals from and to other acute and long-term care facilities and providers, so as to provide continuous management of patient care;
(7) Measurement of clinical and/or service performance by physician or across a practice; and
(8) Reporting performance according to baseline data and performance measure established by the DHHS Independent Advisory Group across CCNC networks, practices, and physicians to achieve the maximum savings possible through the improvement in the quality of care.

SECTION 10.36.(c) By July 1, 2009, or as soon a possible thereafter, the Department shall establish an Independent Advisory Group (IAG) for the purpose of developing targeted (i) baseline data, (ii) clinically acceptable performance measures that recognize nationally accredited treatment protocols, and (iii) patient, physician, and practice goals that improve quality of care, and realize necessary savings within Medicaid. The members of the Independent Advisory Group shall have demonstrated experience in actuarial analysis, health policy analysis, medical practice, hospital administration, or management of long-term chronic conditions. The Independent Advisory Group and the Department shall ensure the following:

(1) The IAG shall begin work immediately so that baseline data, clinically acceptable performance measures, and practice goals to improve quality and cost savings can be implemented no later than January 1, 2010.
(2) The Department shall prepare a report to the General Assembly on the baseline data, clinically acceptable performance measures, and practice goals adopted by the IAG, and the improved quality and cost savings expected as a result of their implementation. This report will be due January 31, 2010.
(3) The IAG shall establish baseline information and performance measures for the diseases and conditions listed in this subdivision, the focus of which shall be on Medicaid recipients who are children, adults, and among those who are aged, blind, or disabled. The diseases and conditions shall include:
    a. Asthma,
    b. Diabetes,
    c. Heart disease,
    d. Chronic Obstructive Pulmonary Disease,
    e. Mental illness,
    f. Substance abuse,
    g. Obesity, and
    h. High risk maternity care
(4) The baseline information, performance measures, and practice and physician goals developed for the continuing care of Medicaid recipients, who are also eligible for Medicare shall include attention to this population's:
    a. Increased primary care visit rate,

b. Hospital admission rate,
c. Hospital readmission rate,
d. Emergency department visit rate,
e. Mortality rate, and
f. Prescription drug management, including:
1. Number of prescriptions prescribed,
2. Number of generic versus brand-name prescriptions, and
3. Reconciliation of a patient's prescriptions between hospital, nursing facility, and primary care physician.

SECTION 10.36.(d) The Department shall conduct a Request for Proposal (RFP) process to solicit bids from qualified outside entities with proven experience in conducting actuarial and health care studies and evaluations to:

(1) Report, assess, and evaluate the CCNC networks proficiency in fulfilling the eight tenets described above,
(2) Report, assess, and evaluate the CCNC networks implementation and achievement of the baseline data, clinically acceptable performance measures, and practice goals to improve quality and cost savings established by the IAG, and
(3) Report on the Medicaid cost savings achieved by the CCNC networks during a 12-month period.

SECTION 10.36.(e) The contractor's report, information, and data shall be in a format that allows the Department to manipulate and assess the performance of CCNC as a whole and for its 14 networks individually. Not later than November 1, 2010, the Department shall provide 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 copies of the contractor's report for CCNC activities conduced during the 2009-2010 fiscal year.

SECTION 10.36.(f) Under the Children's Health Insurance Program Reauthorization Act, P.L. 111-1, the U.S. Secretary of Health and Human Services is directed to:

(1) Develop a standardized reporting format that encourages states to report information regarding the quality of pediatric health care delivered through the State Children's Health Insurance Program, and
(2) Establish a set of pediatric quality measures not later than January 1, 2011.

Given this directive, the IAG shall develop targeted baseline data, clinically acceptable performance measures that recognize nationally accredited treatment protocols, and patient, physician, and practice goals that improve quality of care, in order to realize necessary savings within North Carolina's Health Choice program. The IAG shall begin this effort so that baseline data, clinically acceptable performance measures, and practice goals to improve quality and cost savings can be implemented by July 1, 2010, the date on which the Department of Health and Human Services' Division of Medical Assistance assumes management responsibility of the Health Choice program from the State Health Plan.

COMMUNITY HEALTH CENTER CHANGES

SECTION 10.37. Of the funds appropriated in this act for Community Health Grants, the sum of seven million eight hundred sixty thousand dollars ($7,860,000) in recurring funds for the 2009-2010 fiscal year and the sum of seven million eight hundred sixty thousand dollars ($7,860,000) for the 2010-2011 fiscal year. These funds shall be allocated as grants on a competitive basis to rural health centers, free clinics, public health departments, school-based health centers, qualified health centers, and other nonprofit organizations that provide primary care and preventive health services to uninsured and indigent persons. Community health

centers that have received federal funds through the American Recovery and Reinvestment Act to provide new, expanded, or continuing health services are not eligible to receive funds under this section.

LIABILITY INSURANCE

SECTION 10.38.(a) The Secretary of the Department of Health and Human Services, the Secretary of the Department of Environment and Natural Resources, and the Secretary of the Department of Correction may provide medical liability coverage not to exceed one million dollars ($1,000,000) per incident on behalf of employees of the Departments licensed to practice medicine or dentistry, on behalf of all licensed physicians who are faculty members of The University of North Carolina who work on contract for the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services for incidents that occur in Division programs, and on behalf of physicians in all residency training programs from The University of North Carolina who are in training at institutions operated by the Department of Health and Human Services. This coverage may include commercial insurance or self-insurance and shall cover these individuals for their acts or omissions only while they are engaged in providing medical and dental services pursuant to their State employment or training.

SECTION 10.38.(b) The coverage provided under this section shall not cover any individual for any act or omission that the individual knows or reasonably should know constitutes a violation of the applicable criminal laws of any state or the United States or that arises out of any sexual, fraudulent, criminal, or malicious act or out of any act amounting to willful or wanton negligence.

SECTION 10.38.(c) The coverage provided pursuant to this section shall not require any additional appropriations and shall not apply to any individual providing contractual service to the Department of Health and Human Services, the Department of Environment and Natural Resources, or the Department of Correction, with the exception that coverage may include physicians in all residency training programs from The University of North Carolina who are in training at institutions operated by the Department of Health and Human Services and licensed physicians who are faculty members of The University of North Carolina who work for the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services.

FUNDS FOR JIM "CATFISH" HUNTER CHAPTER OF THE ALS ASSOCIATION

SECTION 10.39. Funds appropriated in this act for the Jim "Catfish" Hunter Chapter of the ALS Association shall be expended only for services provided within North Carolina.

DHHS PAYROLL DEDUCTION FOR CHILD CARE SERVICES

SECTION 10.40. Subject to rules adopted by the State Controller, an employee of the Department of Health and Human Services may authorize, in writing, the periodic deduction from the employee's salary or wages for employment by the State, a designated lump sum to be paid to satisfy the cost of services received for child care provided by the Department.

MEDICAID MANAGEMENT INFORMATION SYSTEM (MMIS) FUNDS/IMPLEMENTATION OF MMIS

SECTION 10.41.(a) Of the funds appropriated in this act to the Department of Health and Human Services (Department) from prior year earned revenues received by the Department for the Medicaid Management Information System (MMIS), the sum of eleven million seventy-one thousand five hundred two dollars ($11,071,502) for fiscal year 2009-2010

and the sum of nine million eight hundred twenty thousand six hundred eighty-nine dollars ($9,820,689) for fiscal year 2010-2011 shall be (i) deposited to the Department's information technology budget code and (ii) used to match federal funds for the procurement, design, development, and implementation of the new MMIS system and to fund the central management of the project. In the event that the Department does not receive prior year earned revenues in these amounts, the Department is authorized with approval of the Office of State Budget and Management to use other over-realized receipts to the level appropriated in this act for MMIS expenditures.

SECTION 10.41.(b) The Department shall make full development of the replacement MMIS a top priority. During the development and implementation of MMIS, the Department shall develop plans to ensure the timely and effective implementation of enhancements to the system to provide the following capabilities:

(1) Receiving and tracking premium or other payments required by law.

(2) Compatibility with the administration of the Health Information System.

The Department shall make every effort to expedite the implementation of the enhancements. The Office of Information Technology Services shall work in cooperation with the Department to ensure the timely and effective implementation of the MMIS and enhancements. The contract between the Department and the contract vendor shall contain an explicit provision requiring that the MMIS have the capability to fully implement the administration of NC Health Choice, NC Kids' Care, Ticket to Work, Families Pay Part of the Cost of Services under the CAP-MR/DD, CAP Children's Program, and all relevant Medicaid waivers and the Medicare 646 waiver as it applies to Medicaid eligibles. The Department must have detailed cost information for each requirement before signing the contract. Any contract between the Department and a vendor for the MMIS that does not contain the explicit provision required under this subsection is void on its face. Notwithstanding any other provision of law to the contrary, the Secretary of the Department does not have the authority to sign a contract for the MMIS if the contract does not contain the explicit provision required under this section.

SECTION 10.41.(c) Notwithstanding G.S. 114-2.3, the Department shall engage the services of private counsel with the pertinent information technology and computer law expertise to review requests for proposals and to negotiate and review contracts associated with MMIS. The counsel engaged by the Department shall review the MMIS contract between the Department and the vendor to ensure that the requirements of subsection (a) of this section are met in their entirety.

SECTION 10.41.(d) The Department shall develop a comprehensive schedule for the development and implementation of the MMIS that fully incorporates federal and State project management and review requirements. The Department shall ensure that the schedule is as accurate as possible. Any changes to the design, development, and implementation schedule shall be reported as part of the Department's quarterly MMIS reporting requirements. The Department shall submit the schedule to the Chairs of the House of Representatives Committee on Appropriations and the House of Representatives Subcommittee on Health and Human Services, the Chairs of the Senate Committee on Appropriations and the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division. Any change to key milestones in either schedule shall be immediately reported to the Chairs of the House of Representatives Committee on Appropriations and the House of Representatives Subcommittee on Health and Human Services, the Chairs of the Senate Committee on Appropriations and the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division with a full explanation of the reason for the change.

SECTION 10.41.(e) Beginning July 1, 2009, the Department shall make quarterly reports on changes in the functionality and projected costs of the MMIS. The first quarterly submission shall contain a final report on the contract award to include total costs and functionality of the MMIS. Each report shall be made to the Chairs of the House of

Representatives Committee on Appropriations and the House of Representatives Subcommittee on Health and Human Services, the Chairs of the Senate Committee on Appropriations and the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division. A copy of the final report on the contract award shall also be submitted to the Joint Legislative Commission on Governmental Operations.

SECTION 10.41.(f) Upon initiation of the NC MMIS Program Reporting and Analytics Project and the Division of Health Services Regulation Project, the Department shall submit all reports regarding functionality, schedule, and cost in the next regular cycle of reporting identified in subsections (d) and (e) of this section. The Department shall ensure that the solution developed in the Reporting and Analytics Project supports the capability, in its initial implementation, to interface with the North Carolina Teachers' and State Employees' Health Plan. The costs for this capability shall be negotiated prior to the award of the Reporting and Analytics contract. The Reporting and Analytics solution must be completed simultaneously with the replacement MMIS.

NORTH CAROLINA FAMILIES ACCESSING SERVICES THROUGH TECHNOLOGY (NC FAST) FUNDS

SECTION 10.42. The sum of eighteen million three hundred twenty-seven thousand four hundred seventy-eight dollars ($18,327,478) is appropriated from Budget Code 24441, Fund Code 2006, to the Department of Health and Human Services, Division of Central Management Services, for the 2009-2010 fiscal year. These funds shall be used for the development and implementation of North Carolina Families Accessing Services Through Technology (NC FAST). Funds will be placed in the Department's information technology budget code and will match federal funds for project implementation.

PROGRAM ON PREVENTION OF ABUSE AND NEGLECT

SECTION 10.43.(a) The Children's Trust Fund, a program on prevention of abuse and neglect, is transferred from the Department of Public Instruction to the Division of Social Services in the Department of Health and Human Services, as if by a Type I transfer as defined in G.S. 143A-6, with all the elements of such a transfer.

SECTION 10.43.(b) G.S. 7B-1301 reads as rewritten:

"**§ 7B-1301. Program on Prevention of Abuse and Neglect.**

(a) The ~~State Board of Education~~ Department of Health and Human Services, through the ~~Department of Public Instruction~~ Division of Social Services, shall implement the Program on Prevention of Abuse and Neglect. The ~~Department of Public Instruction~~ Division of Social Services ~~subject to the approval of the State Board of Education,~~ shall provide the staff and support services for implementing this program.

(b) In order to carry out the purposes of this Article:

(1) The ~~Department of Public Instruction~~ Division of Social Services shall review applications and make recommendations ~~to the State Board of Education~~ concerning the awarding of contracts under this Article.

(2) The ~~State Board of Education~~ Division of Social Services shall contract with public or private nonprofit organizations, agencies, schools, or with qualified individuals to operate community-based educational and service programs designed to prevent the occurrence of abuse and neglect. Every contract entered into by the ~~State Board of Education~~ Division of Social Services shall contain provisions that at least twenty-five percent (25%) of the total funding required for a program be provided by the administering organization in the form of in-kind or other services and that a mechanism for evaluation of services provided under the contract be included in the services to be performed. In addition, every proposal to the ~~Department of~~

~~Public Instruction~~ Division of Social Services for funding under this Article shall include assurances that the proposal has been forwarded to the local department of social services for comment so that the ~~Department of Public Instruction~~ Division of Social Services may consider coordination and duplication of effort on the local level as criteria in making recommendations ~~to the State Board of Education~~.

(3) The ~~State Board of Education~~ Division of Social Services, with the assistance of the Department of ~~Public Instruction~~ Health and Human Services, shall develop appropriate guidelines and criteria for awarding contracts under this Article. These criteria shall include, but are not limited to: documentation of need within the proposed geographical impact area; diversity of geographical areas of programs funded under this Article; demonstrated effectiveness of the proposed strategy or program for preventing abuse and neglect; reasonableness of implementation plan for achieving stated objectives; utilization of community resources including volunteers; provision for an evaluation component that will provide outcome data; plan for dissemination of the program for implementation in other communities; and potential for future funding from private sources.

(4) The ~~State Board of Education~~ Division of Social Services, with the assistance of the Department of ~~Public Instruction~~ Health and Human Services, shall develop guidelines for regular monitoring of contracts awarded under this Article in order to maximize the investments in prevention programs by the Children's Trust Fund and to establish appropriate accountability measures for administration of contracts.

(5) The ~~State Board of Education~~ Division of Social Services shall develop a State plan for the prevention of abuse and neglect for submission to the Governor, the President of the Senate, and the Speaker of the House of Representatives.

(c) To assist in implementing this Article, the ~~State Board of Education~~ Division of Social Services may accept contributions, grants, or gifts in cash or otherwise from persons, associations, or corporations. All monies received by the ~~State Board of Education~~ Division of Social Services from contributions, grants, or gifts and not through appropriation by the General Assembly shall be deposited in the Children's Trust Fund. Disbursements of the funds shall be on the authorization of the ~~State Board of Education or that Board's duly authorized representative~~ Department of Health and Human Services. In order to maintain an effective expenditure and revenue control, the funds are subject in all respects to State law and regulations, but no appropriation is required to permit expenditure of the funds.

(d) Programs contracted for under this Article are intended to prevent abuse and neglect of juveniles. Abuse and neglect prevention programs are defined to be those programs and services which impact on juveniles and families before any substantiated incident of abuse or neglect has occurred. These programs may include, but are not limited to:

(1) Community-based educational programs on prenatal care, perinatal bonding, child development, basic child care, care of children with special needs, and coping with family stress; and

(2) Community-based programs relating to crisis care, aid to parents, and support groups for parents and their children experiencing stress within the family unit.

(e) No more than twenty percent (20%) of each year's total awards may be utilized for funding State-level programs to coordinate community-based programs."

SECTION 10.43.(c) G.S. 7B-1302 reads as rewritten:

"**§ 7B-1302. Children's Trust Fund.**

(a) There is established a fund to be known as the "Children's Trust Fund," in the Department of State Treasurer, which shall be funded by a portion of the marriage license fee under G.S. 161-11.1 and a portion of the special license plate fee under G.S. 20-81.12. The money in the Fund shall be used by the ~~State Board of Education~~ Division of Social Services to fund abuse and neglect prevention programs so authorized by this Article.

(b) The Department of ~~Public Instruction~~ Health and Human Services shall report annually on revenues and expenditures of the Children's Trust Fund to the Joint Legislative Commission on Governmental Operations."

INTENSIVE FAMILY PRESERVATION SERVICES FUNDING AND PERFORMANCE ENHANCEMENTS

SECTION 10.44.(a) Notwithstanding the provisions of G.S. 143B-150.6, the Intensive Family Preservation Services (IFPS) Program shall provide intensive services to children and families in cases of abuse, neglect, and dependency where a child is at imminent risk of removal from the home and to children and families in cases of abuse where a child is not at imminent risk of removal. The Program shall be developed and implemented statewide on a regional basis. The IFPS shall ensure the application of standardized assessment criteria for determining imminent risk and clear criteria for determining out-of-home placement.

SECTION 10.44.(b) The Department of Health and Human Services shall require that any program or entity that receives State, federal, or other funding for the purpose of Intensive Family Preservation Services shall provide information and data that allows for:

(1) An established follow-up system with a minimum of six months of follow-up services.

(2) Detailed information on the specific interventions applied, including utilization indicators and performance measurement.

(3) Cost-benefit data.

(4) Data on long-term benefits associated with Intensive Family Preservation Services. This data shall be obtained by tracking families through the intervention process.

(5) The number of families remaining intact and the associated interventions while in IFPS and 12 months thereafter.

(6) The number and percentage by race of children who received Intensive Family Preservation Services compared to the ratio of their distribution in the general population involved with Child Protective Services.

SECTION 10.44.(c) The Department shall establish performance-based funding protocol and shall only provide funding to those programs and entities providing the required information specified in subsection (b) of this section. The amount of funding shall be based on the individual performance of each program.

SECTION 10.44.(d) The Department shall publish an annual report on the Intensive Family Preservation Services Program, including the information and data under subdivisions (b)(2) through (b)(6) of this section.

FOSTER CARE AND ADOPTION ASSISTANCE PAYMENTS

SECTION 10.45.(a) The maximum rates for State participation in the foster care assistance program are established on a graduated scale as follows:

(1) $475.00 per child per month for children aged birth through 5;

(2) $581.00 per child per month for children aged 6 through 12; and

(3) $634.00 per child per month for children aged 13 through 18.

SECTION 10.45.(b) The maximum rates for the State adoption assistance program are established consistent with the foster care rates as follows:

(1) $475.00 per child per month for children aged birth through 5;

(2) $581.00 per child per month for children aged 6 through 12; and
(3) $634.00 per child per month for children aged 13 through 18.

SECTION 10.45.(c) In addition to providing board payments to foster and adoptive families of HIV-infected children, as prescribed in Section 23.28 of Chapter 324 of the 1995 Session Laws, any additional funds remaining that were appropriated for this purpose shall be used to provide medical training in avoiding HIV transmission in the home.

SECTION 10.45.(d) The maximum rates for the State participation in HIV foster care and adoption assistance are established on a graduated scale as follows:

(1) $800.00 per child per month with indeterminate HIV status;
(2) $1,000 per child per month confirmed HIV-infected, asymptomatic;
(3) $1,200 per child per month confirmed HIV-infected, symptomatic; and
(4) $1,600 per child per month terminally ill with complex care needs.

SECTION 10.45.(e) The State and a county participating in foster care and adoption assistance shall each contribute fifty percent (50%) of the nonfederal share of the cost of care for a child placed by a county department of social services or child placing agency in a family foster home or residential child care facility. A county shall be held harmless from contributing fifty percent (50%) of the nonfederal share of the cost for a child currently in a family foster home or residential child care facility until the child leaves foster care or experiences a placement change.

SECTION 10.45.(f) The Department of Health and Human Services may establish foster care and adoption assistance rates based on the United States Department of Agriculture (USDA) "Expenditures on Children by Families" index subject to State appropriations for each fiscal year.

CHILD SUPPORT PROGRAM/ENHANCED STANDARDS

SECTION 10.46. G.S. 110-129.1(a) is amended by adding the following new subdivision to read:

"(a) In addition to other powers and duties conferred upon the Department of Health and Human Services, Child Support Enforcement Program, by this Chapter or other State law, the Department shall have the following powers and duties:

...

(8) Implement and maintain performance standards for each of the State and county child support enforcement offices across the State. The performance standards shall include the following:

a. Cost per collections.
b. Consumer satisfaction.
c. Paternity establishments.
d. Administrative costs.
e. Orders established.
f. Collections on arrearages.
g. Location of absent parents.
h. Other related performance measures.

The Department shall monitor the performance of each office and shall implement a system of reporting that allows each local office to review its performance as well as the performance of other local offices. The Department shall publish an annual performance report that includes the statewide and local office performance of each child support office."

CHILD CARING INSTITUTIONS

SECTION 10.47. Until the Social Services Commission adopts rules setting standardized rates for child caring institutions as authorized under G.S. 143B-153(8), the

maximum reimbursement for child caring institutions shall not exceed the rate established for the specific child caring institution by the Department of Health and Human Services, Office of the Controller. In determining the maximum reimbursement, the State shall include county and IV-E reimbursements.

SPECIAL CHILDREN ADOPTION FUND

SECTION 10.48. Part 4 of Article 2 of Chapter 108A of the General Statutes is amended by adding the following new section to read:

"**§ 108A-50.2. Special Children Adoption Fund.**

(a) Funds appropriated by the General Assembly in the Current Operations Appropriations Act shall be used to support the Special Children Adoption Fund. The Division of Social Services of the Department of Health and Human 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. No local match shall be required as a condition for receipt of these funds. In accordance with State rules for allowable costs, the Special Children Adoption Fund may be used for post-adoption services for families whose income exceeds two hundred percent (200%) of the federal poverty level.

(b) Of the total funds appropriated for the Special Children Adoption Fund each year, twenty percent (20%) of the total funds available shall be reserved for payment to participating private adoption agencies. If the funds reserved in this subsection for payments to private agencies have not been spent on or before March 31 of each State fiscal year, the Division of Social Services may reallocate those funds, in accordance with this section, to other participating adoption agencies.

(c) The Division of Social Services shall monitor the total expenditures in the Special Children Adoption Fund and redistribute unspent funds to ensure that the funds are used in accordance with the guidelines established in subsection (a) of this section. The Division of Social Services shall implement strategies to ensure that funds that have historically reverted for this program are used for the intended purpose."

LIMITATION ON STATE ABORTION FUND

SECTION 10.49. The limitations on funding of the performance of abortion established in Section 23.27 of Chapter 324 of the 1995 Session Laws, as amended by Section 23.8A of Chapter 507 of the 1995 Session Laws, apply to the 2009-2010 and 2010-2011 fiscal years.

CHILD WELFARE POSTSECONDARY SUPPORT PROGRAM/USE OF ESCHEAT FUND

SECTION 10.50.(a) There is appropriated from the Escheat Fund income to the Department of Health and Human Services the sum of three million one hundred sixty-eight thousand two hundred fifty dollars ($3,168,250) for the 2009-2010 fiscal year. These funds shall be used to support the child welfare postsecondary support program for the educational needs of foster youth aging out of the foster care system and special needs children adopted from foster care after age 12 by providing assistance with the "cost of attendance" as that term is defined in 20 U.S.C. § 1087ll. The Department shall collaborate with the State Education Assistance Authority to develop policies and procedures for the distribution of these funds.

If the interest income generated from the Escheat Fund is less than the amounts referenced in this section, the difference may be taken from the Escheat Fund principal to reach

the appropriations referenced in this section; however, under no circumstances shall the Escheat Fund principal be reduced below the sum required in G.S. 116B-6(f).

Funds appropriated by this section shall be allocated by the State Education Assistance Authority.

The purpose for which funds are appropriated under this section is in addition to other purposes for which Escheat Fund income is distributed under G.S. 116B-7 and shall not be construed to otherwise affect the distribution of funds under G.S. 116B-7.

SECTION 10.50.(b) Of the funds appropriated from the General Fund to the Department of Health and Human Services the sum of fifty thousand dollars ($50,000) for the 2009-2010 fiscal year and the sum of fifty thousand dollars ($50,000) for the 2010-2011 fiscal year shall be allocated to the North Carolina State Education Assistance Authority (SEAA). The SEAA shall use these funds only to perform administrative functions necessary to manage and distribute scholarship funds under the child welfare postsecondary support program.

SECTION 10.50.(c) Of the funds appropriated from the General Fund to the Department of Health and Human Services the sum of five hundred thousand dollars ($500,000) for the 2009-2010 fiscal year and the sum of five hundred thousand dollars ($500,000) for the 2010-2011 fiscal year shall be used to contract with an entity to develop and administer the child welfare postsecondary support program described under subsection (a) of this section, which development and administration shall include the performance of case management services.

SECTION 10.50.(d) Funds appropriated to the Department of Health and Human Services for the child welfare postsecondary support program shall be used only for students attending public institutions of higher education in this State.

SECTION 10.50.(e) It is the intent of the General Assembly that for the 2010-2011 fiscal year and beyond, support for the child welfare postsecondary support program shall be appropriated from the General Fund.

TANF BENEFIT IMPLEMENTATION

SECTION 10.51.(a) The General Assembly approves the plan titled "North Carolina Temporary Assistance for Needy Families State Plan FY 2009-2011," prepared by the Department of Health and Human Services and presented to the General Assembly. The North Carolina Temporary Assistance for Needy Families State Plan covers the period October 1, 2009, through September 30, 2011. The Department shall submit the State Plan, as revised in accordance with subsection (b) of this section, to the United States Department of Health and Human Services, as amended by this act or any other act of the 2009 General Assembly.

SECTION 10.51.(b) The counties approved as Electing Counties in North Carolina's Temporary Assistance for Needy Families State Plan FY 2009-2011, as approved by this section are: Beaufort, Caldwell, Catawba, Iredell, Lenoir, Lincoln, Macon, and Wilson.

SECTION 10.51.(c) Counties that submitted the letter of intent to remain as an Electing County or to be redesignated as an Electing County and the accompanying county plan for fiscal years 2009 through 2011, pursuant to G.S. 108A-27(e), shall operate under the Electing County budget requirements effective July 1, 2009. For programmatic purposes, all counties referred to in this subsection shall remain under their current county designation through September 30, 2009.

EVALUATION OF CONSOLIDATION OF ADMINISTRATIVE FUNCTIONS OF COUNTY DEPARTMENTS OF SOCIAL SERVICES

SECTION 10.52.(a) The Department of Health and Human Services, Division of Social Services, shall study the consolidation of administrative functions among county departments of social services.

SECTION 10.52.(b) The Department shall collaborate with counties to identify opportunities for functional consolidation, affected administrative functions, estimated cost savings, and requisite policy changes, if applicable, to accommodate the consolidation. The Department shall not consolidate administrative functions except as directed by an act of the General Assembly.

SECTION 10.52.(c) The Department shall report its findings and recommendations to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Education/Higher Education, the House of Representatives Appropriations Subcommittee on Education, and the Fiscal Research Division by April 1, 2010.

ENHANCE MARKETING OF PUBLIC ASSISTANCE AVAILABILITY

SECTION 10.53. To ensure that working families are aware of the availability of assistance from Food and Nutrition Services programs and Medical Assistance, the Office of Economic Opportunity, Division of Social Services, and county departments of social services shall enhance the marketing of available services, including Food and Nutrition Services, and Medical Assistance, for prospective recipients.

EVALUATION AND IMPLEMENTATION OF COST-EFFECTIVE EDUCATION FOR STUDENTS WHO ARE DEAF OR HEARING-IMPAIRED

SECTION 10.54.(a) The Department of Health and Human Services, in collaboration with the Department of Public Instruction and the Free Appropriate Public Education Task Force (Task Force), shall develop a plan to reduce the costs of residential instruction for students who are deaf or hearing-impaired. The Plan shall include:

(1) The transitioning, as appropriate, of students served by the Western North Carolina School for the Deaf and Eastern North Carolina School for the Deaf to local education agencies (LEAs), and the identification of LEA resource requirements for the provision of appropriate instruction; and

(2) Additional instructional alternatives.

SECTION 10.54.(b) The Department of Health and Human Services, the Department of Public Instruction, and the Task Force shall report their findings and reduction plan to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Education/Higher Education, the House of Representatives Appropriations Subcommittee on Education, and the Fiscal Research Division no later than April 1, 2010.

NON-MEDICAID REIMBURSEMENT CHANGES

SECTION 10.55. Providers of medical services under the various State programs, other than Medicaid, offering medical care to citizens of the State shall be reimbursed at rates no higher than those under the North Carolina Medical Assistance Program.

The Department of Health and Human Services may reimburse hospitals at the full prospective per diem rates without regard to the Medical Assistance Program's annual limits on hospital days. When the Medical Assistance Program's per diem rates for inpatient services and its interim rates for outpatient services are used to reimburse providers in non-Medicaid medical service programs, retroactive adjustments to claims already paid shall not be required.

Notwithstanding the provisions of this section, the Department of Health and Human Services may negotiate with providers of medical services under the various Department of Health and Human Services programs, other than Medicaid, for rates as close as possible to Medicaid rates for the following purposes: contracts or agreements for medical

services and purchases of medical equipment and other medical supplies. These negotiated rates are allowable only to meet the medical needs of its non-Medicaid eligible patients, residents, and clients who require such services which cannot be provided when limited to the Medicaid rate.

Maximum net family annual income eligibility standards for services in these programs shall be as follows:

DSB Medical Eye Care	125% FPL
DSB Independent Living <55	125% FPL
DSB Independent Living 55>	200% FPL
DSB Vocational Rehabilitation	125% FPL
DVR Independent Living	125% FPL
DVR Vocational Rehabilitation	125% FPL

The Department of Health and Human Services shall contract at, or as close as possible to, Medicaid rates for medical services provided to residents of State facilities of the Department.

DIVISION OF SERVICES FOR THE DEAF AND HARD OF HEARING/FUNDS TRANSFER AND APPROPRIATION

SECTION 10.56.(a) Notwithstanding G.S. 62-157, on July 1, 2009, the State Controller shall transfer five million dollars ($5,000,000) from the Special Account for Telecommunications Relay Service to Nontax Budget Code 19978 (Intra State Transfers) to support General Fund appropriations for the 2009-2010 fiscal year.

SECTION 10.56.(b) Of funds appropriated with Budget Code 67425, Fund Code 6725, and Fund Code 6726 the sum of one million five hundred thousand dollars ($1,500,000) shall be transferred to Budget Code 24410 for Information Technology Projects in the Department of Health and Human Services, Division of Central Management and Support for the Data Collection and Case Management Systems initiative. This initiative shall also be supported with federal funds from the Rehabilitation Act. Funds made available under this section shall be used for the development and implementation of a data collection and case management information system to replace the current system in use by the Division of Services for the Blind, Division of Services for the Deaf and Hard of Hearing, and the Division of Vocational Rehabilitation Services. The Department shall use federal funds first and then State funds, only as necessary, from Budget Code 67425. In accordance with G.S. 143C-1-2(b), funds appropriated for this project shall not revert to the fund from which they came until the project is complete.

SECTION 10.56.(c) If, upon the transfer and appropriation of funds under this section, available funds are insufficient to support recurring services the Division of Services for the Deaf and Hard of Hearing is authorized to provide, the Department of Health and Human Services, shall, pursuant to G.S. 62-157, file a petition with the North Carolina Utilities Commission to reset the surcharge provided for in G.S. 62-157 to maintain a reasonable margin for reserve for the operation of the statewide telecommunications relay service.

STATE-COUNTY SPECIAL ASSISTANCE

SECTION 10.57.(a) The eligibility of Special Assistance recipients residing in adult care homes on August 1, 1995, shall not be affected by an income reduction in the Special Assistance eligibility criteria resulting from adoption of the Rate Setting Methodology Report and Related Services, providing these recipients are otherwise eligible. The maximum monthly rate for these residents in adult care home facilities shall be one thousand two hundred thirty-one dollars ($1,231) per month per resident.

SECTION 10.57.(b) Effective January 1, 2009, the maximum monthly rate for residents in adult care home facilities shall be one thousand two hundred seven dollars ($1,207)

per month per resident unless adjusted by the Department in accordance with subsection (d) of this section.

SECTION 10.57.(c) The maximum monthly rate for residents in Alzheimer/Dementia special care units shall be one thousand five hundred fifteen dollars ($1,515) per month per resident unless adjusted by the Department in accordance with subsection (d) of this section.

SECTION 10.57.(d) Notwithstanding any other provision of this section, the Department of Health and Human Services shall review activities and costs related to the provision of care in adult care homes and shall determine what costs may be considered to properly maximize allowable reimbursement available through Medicaid personal care services for adult care homes (ACH-PCS) under federal law. As determined, and with any necessary approval from the Centers for Medicare and Medicaid Services (CMS), and the approval of the Office of State Budget and Management, the Department may transfer necessary funds from the State-County Special Assistance program within the Division of Social Services to the Division of Medical Assistance and may use those funds as State match to draw down federal matching funds to pay for such activities and costs under Medicaid's personal care services for adult care homes (ACH-PCS), thus maximizing available federal funds. The established rate for State-County Special Assistance set forth in subsections (b) and (c) of this section shall be adjusted by the Department to reflect any transfer of funds from the Division of Social Services to the Division of Medical Assistance and related transfer costs and responsibilities from State-County Special Assistance to the Medicaid personal care services for adult care homes (ACH-PCS). Subject to approval by the Centers for Medicare and Medicaid Services (CMS) and prior to implementing this section, the Department may disregard a limited amount of income for individuals whose countable income exceeds the adjusted State-County Special Assistance rate. The amount of the disregard shall not exceed the difference between the Special Assistance rate prior to the adjustment and the Special Assistance rate after the adjustment and shall be used to pay a portion of the cost of the ACH-PCS and reduce the Medicaid payment for the individual's personal care services provided in an adult care home. In no event shall the reimbursement for services through the ACH-PCS exceed the average cost of the services as determined by the Department from review of cost reports as required and submitted by adult care homes. The Department shall report any transfers of funds and modifications of rates to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division.

SECTION 10.57.(e) The Department of Health and Human Services shall recommend rates for State-County Special Assistance and for Adult Care Home Personal Care Services. The Department may recommend rates based on appropriate cost methodology and cost reports submitted by adult care homes that receive State-County Special Assistance funds and shall ensure that cost reporting is done for State-County Special Assistance and Adult Care Home Personal Care Services to the same standards as apply to other residential service providers.

MEDICAID

SECTION 10.58.(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 one hundred percent (100%) of the nonfederal costs of all applicable services listed in this section. In addition, the State shall pay one hundred percent

(100%) of the federal Medicare Part D clawback payments under the Medicare Modernization Act of 2004.

(3) Use of 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 and related operational costs 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 funds allocated for the 2009-2010 and 2010-2011 fiscal years 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 10.58.(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. – The Division of Medical Assistance, Department of Health and Human Services, shall 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.

(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 medical 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. For medical policy changes exceeding three million dollars ($3,000,000) in total requirements for a given fiscal year that are required for compliance with federal law, the Department shall submit the proposed medical policy or policy interpretation change with the five-year fiscal analysis to the Office of State Budget and Management prior to implementing the change. 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 10.58.(c) Eligibility. – Eligibility for Medicaid shall be determined in accordance with the following:

(1) Medicaid and Work First Family Assistance.

a. 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**
Family Size	Standard of Need & Families and Families and Children Income Level	WFFA* Payment Level	Children & AA, AB, AD* Income Level
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).

b. 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.

c. The Department of Health and Human Services shall provide Medicaid coverage to 19- and 20-year-olds in accordance with federal rules and regulations.

d. Medicaid enrollment of categorically needy families with children shall be continuous for one year without regard to changes in income or assets.

(2) For the following Medicaid eligibility classifications for which the federal poverty guidelines are used as income limits for eligibility determinations, the income limits will be updated each April 1 immediately following publication of federal poverty guidelines. The Department of Health and

Human Services, Division of Medical Assistance, shall provide Medicaid coverage to the following:

a. All elderly, blind, and disabled people who have incomes equal to or less than one hundred percent (100%) of the federal poverty guidelines.

b. Pregnant women with incomes equal to or less than one hundred eighty-five percent (185%) of the federal poverty guidelines and without regard to resources. 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.

c. Infants under the age of one with family incomes equal to or less than two hundred percent (200%) of the federal poverty guidelines and without regard to resources.

d. Children aged one through five with family incomes equal to or less than two hundred percent (200%) of the federal poverty guidelines and without regard to resources.

e. Children aged six through 18 with family incomes equal to or less than one hundred percent (100%) of the federal poverty guidelines and without regard to resources.

f. 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 guidelines and without regard to resources.

g. Workers with disabilities described in G.S. 108A-54.1 with unearned income equal to or less than one hundred fifty percent (150%) of the federal poverty guidelines.

(3) The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to adoptive children with special or rehabilitative needs regardless of the adoptive family's income.

(4) The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to "independent foster care adolescents," ages 18, 19, and 20, as defined in section 1905(w)(1) of the Social Security Act [42 U.S.C. § 1396d(w)(1)], without regard to the adolescent's assets, resources, or income levels.

(5) 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

(6) The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to women who need treatment for breast or cervical cancer and who are defined in 42 U.S.C. § 1396a.(a)(10)(A)(ii)(XVIII).

SECTION 10.58.(d) Services and Payment Bases. – The Department shall spend funds appropriated for Medicaid services 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. – Payment for hospital inpatient services will be prescribed by 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. – 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.

(4) Physicians, certified nurse midwife services, certified registered nurse anesthetists, nurse practitioners. – Fee schedules as developed 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, nonprovider-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. The Department may disregard application of this policy in cases where application of the policy would adversely affect patient care.

(20) Physical therapy, occupational 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.

(21) Personal care services. – Payment in accordance with the State Plan developed by the Department of Health and Human 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 licensed or certified by the occupational licensing board or the certification authority having authority over the provider's license or certification. 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."

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 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 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 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, licensed 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 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.

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 10.58.(e) Provider Performance Bonds and Visits. –

(1) Subject to the provisions of this subdivision, the Department may require Medicaid-enrolled providers to 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 require the purchase of a performance bond or the submission of an executed letter of credit or financial instrument as a condition of initial enrollment, reenrollment, or reinstatement if:

a. The provider fails to demonstrate financial viability,

b. The Department determines there is significant potential for fraud and abuse,
c. The Department otherwise finds it is in the best interest of the Medicaid program to do so.

The Department shall specify the circumstances under which a performance bond or executed letter of credit will be required.

(1a) The Department may waive or limit the requirements of this paragraph for individual Medicaid-enrolled providers or for one or more classes of Medicaid-enrolled providers based on the following:

a. The provider's or provider class's dollar amount of monthly billings to Medicaid.
b. The length of time an individual provider has been licensed, endorsed, certified, or accredited in this State to provide services.
c. The length of time an individual provider has been enrolled to provide Medicaid services in this State.
d. The provider's demonstrated ability to ensure adequate record keeping, staffing, and services.
e. The need to ensure adequate access to care.

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 shall provide to the affected provider written notice of the findings upon which its action is based and shall include the performance bond requirements and the conditions under which a waiver or limitation apply. 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 30 visits per recipient per fiscal year for the following professional services: hospital outpatient providers, physicians, nurse practitioners, nurse midwives, clinics, health departments, optometrists, chiropractors, and podiatrists. The Department of Health and Human Services shall adopt medical policies in accordance with G.S. 108A-54.2 to distribute the allowable number of visits for each service or each group of services consistent with federal law. In addition, the Department shall establish a threshold of some number of visits for these services. The Department shall ensure that primary care providers or the appropriate CCNC network are notified when a patient is nearing the established threshold to facilitate care coordination and intervention as needed.

Prenatal services, all EPSDT children, emergency room visits, and mental health visits subject to independent utilization review are exempt from the visit limitations contained in this subdivision. Subject to appropriate medical review, the Department may authorize exceptions when additional care is medically necessary. Routine or maintenance visits above the established visit limit will not be covered unless necessary to actively manage a life threatening disorder or as an alternative to more costly care options.

SECTION 10.58.(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 payment 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.

(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.

SECTION 10.58.(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. The Department of Health and Human Services shall adopt rules requiring providers to attend training as a condition of enrollment and may adopt temporary or emergency rules to implement the training requirement.

Prior to the filing of the temporary or emergency rules authorized under this subsection 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 subdivision (a)(4) of this section, the report shall be submitted to the Joint Legislative Health Care Oversight Committee.

DMA CONTRACT SHORTFALL

SECTION 10.59.(a) Budget approval is required by the Office of State Budget and Management prior to the Department of Health and Human Services, Division of Medical Assistance, entering into any new contract or the renewal or amendment of existing contracts that exceed the current contract amounts.

SECTION 10.59.(b) The Division of Medical Assistance shall make every effort to effect savings within its operational budget and use those savings to offset its contract shortfall. Notwithstanding G.S. 143C-6-4(b)(3), the Department may use funds appropriated in this act to cover the contract shortfall in the Division of Medical Assistance if insufficient funds exist within the Division.

MEDICAID COST CONTAINMENT ACTIVITIES

SECTION 10.60.(a) The Department of Health and Human Services may use up to five million dollars ($5,000,000) in the 2009-2010 fiscal year and up to five million dollars ($5,000,000) in the 2010-2011 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, 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.

SECTION 10.60.(b) The Department shall provide a copy of proposals for expenditures under this section 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 or before April 1, 2010, the Department shall report on the methods used to achieve savings and the amount saved by these methods. If the Department deploys fraud detection software, a report on the software implementation and fraud detection results shall be submitted to the House and Senate Appropriations Subcommittees on Health and Human Services and the Fiscal Research Division of the General Assembly not later than April 1, 2010.

MEDICAID SPECIAL FUND TRANSFER

SECTION 10.61. Of the funds transferred to the Department of Health and Human Services for Medicaid programs pursuant to G.S. 143C-9-1, there is appropriated from the Medicaid Special Fund to the Department of Health and Human Services the sum of forty-three million dollars ($43,000,000) for the 2009-2010 fiscal year and the sum of forty-three million dollars ($43,000,000) for the 2010-2011 fiscal year. These funds shall be allocated as prescribed by G.S. 143C-9-1(b) for Medicaid programs. Notwithstanding the prescription in G.S. 143C-9-1(b) that these funds not reduce State general revenue funding, these funds shall replace the reduction in general revenue funding effected in this act. The Department may also use funds in the Medicaid Special Fund to fund the settlement of the Disproportionate Share Hospital payment audit issues between the Department of Health and Human Services and the federal government related to fiscal years 1997-2002, and funds are appropriated from the Fund for the 2009-2010 fiscal year for this purpose.

EXTEND IMPLEMENTATION OF COMMUNITY ALTERNATIVES PROGRAMS REIMBURSEMENT SYSTEM

SECTION 10.62. Full implementation for the Community Alternatives Programs reimbursement system shall be not later than 12 months after the date on which the replacement Medicaid Management Information System becomes operational and stabilized.

DMA REDUCTION OPTION FLEXIBILITY

SECTION 10.63.(a) The Department of Health and Human Services, Division of Medical Assistance, shall, in consultation with provider groups and other interested parties, review ways to improve health care quality, ensure appropriate use of services, improve clinical outcomes, and reduce the cost of care for beneficiaries with medically complex conditions as well as to strengthen fraud and abuse oversight efforts. In the review the Division shall explore all viable options to improve the quality of care and to control health care costs, including, but not limited to, the following options:

(1) Increasing utilization review and management practices to improve value and quality internally or with private vendors with proven records in other states' Medicaid programs;
(2) Expanding and enhancing programs that increase Aged, Blind, and Disabled (ABD) Medicaid eligibles participation within CCNC's medical home efforts and/or encourage single physician care management;
(3) Developing and enhancing incentives for increased provider participation in CCNC;
(4) Requiring inpatient and outpatient care management for select Medicaid enrollees;
(5) Adopting specific network and physician performance and compliance standards within the Community Care of North Carolina (CCNC) that are tied to any enhanced reimbursement structure;
(6) Initiative to address State nursing home payment methods and to offer incentives in payment methods to achieve certain quality and cost goals;
(7) Initiative to control drug cost and utilization as well as to maximize collection of supplemental rebates;
(8) Increasing third-party recovery and/or cost avoidance efforts, including enhancing Medicaid fraud and abuse oversight initiatives;
(9) Reducing or eliminating the occurrence of hospital "never events" – nonreimbursement for serious and costly errors in the provision of health care services that should never happen.

SECTION 10.63.(b) In order to consider all proposals prior to preparing adjustments to the fiscal year 2010-2011 budget, the Division shall report its recommendations on methods to better manage and save Medicaid costs to the Governor's Office by January 15, 2010. All proposals shall include the steps necessary for implementation, including time frames, and the amount of projected savings over a five-year period.

ACCOUNTING FOR MEDICAID RECEIVABLES AS NONTAX REVENUE

SECTION 10.64.(a) Receivables reserved at the end of the 2009-2010 and 2010-2011 fiscal years shall, when received, be accounted for as nontax revenue for each of those fiscal years.

SECTION 10.64.(b) For the 2009-2010 fiscal year, the Department of Health and Human Services shall deposit from its revenues one hundred twenty-four million nine hundred ninety-four thousand nine hundred fifty-four dollars ($124,994,954) with the Department of State Treasurer to be accounted for as nontax revenue. For the 2010-2011 fiscal year, the Department of Health and Human Services shall deposit from its revenues one hundred million dollars ($100,000,000) with the Department of State Treasurer to be accounted for as nontax revenue. Any revenue collected in each of the fiscal years in excess of one of the amounts listed above shall be reserved by the State Treasurer in the Department's account for future appropriations by the General Assembly. These deposits shall represent the return of General Fund appropriations provided to the Department of Health and Human Services to provide indigent care services at State-owned and operated mental hospitals. The treatment of any revenue derived from federal programs shall be in accordance with the requirements specified in the Code of Federal Regulations, Volume 2, Part 225.

FAMILIES PAY PART OF THE COST OF SERVICES UNDER THE CAP-MR/DD PROGRAM AND THE CAP-CHILDREN'S PROGRAM BASED ON FAMILY INCOME

SECTION 10.65.(a) Subject to approval from the Centers for Medicare and Medicaid Services (CMS), the Department of Health and Human Services, Division of Medical

Assistance, shall, in consultation with the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, and Community Alternatives Program (CAP) stakeholders, develop a schedule of cost-sharing requirements for families of children with incomes above the Medicaid allowable limit to share in the costs of their child's Medicaid expenses under the CAP-MR/DD (Community Alternatives Program for Mental Retardation and Developmentally Disabled) and the CAP-C (Community Alternatives Program for Children). The cost-sharing amounts shall be based on a sliding scale of family income and shall take into account the impact on families with more than one child in the CAP programs. In developing the schedule, the Department shall also take into consideration how other states have implemented cost-sharing in their CAP programs. The Division of Medical Assistance may establish monthly deductibles as a means of implementing this cost-sharing. The Department shall provide for at least one public hearing and other opportunities for individuals to comment on the imposition of cost-sharing under the CAP program schedule.

SECTION 10.65.(b) The Division of Medical Assistance shall also, in collaboration with the Controller's Office of the Department of Health and Human Services, the Division of Information Resource Management (DIRM), and the new vendor of the replacement Medicaid Management Information System, develop business rules, program policies and procedures, and define relevant technical requirements.

SECTION 10.65.(c) Prior to seeking approval from CMS, but not later than October 1, 2009, the Department shall report to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs, and 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. The report shall include a summary of comments the Department has received at the public hearing, business rules, policies and procedures, and technical requirements of the initiative and shall also indicate any barriers to implementing the cost-sharing.

PREFERRED DRUG LIST PROGRAM

SECTION 10.66.(a) In the event insufficient savings are realized from enhancing the utilization management of the Prescription Advantage List, increasing the utilization of generic drugs in place of brand-name drugs and increasing rebate collections on generic drugs, the Department of Health and Human Services shall establish and implement a preferred drug list program under the Division of Medical Assistance. The Department shall submit a medical assistance State Plan amendment to the Centers for Medicare and Medicaid Services (CMS) of the United States Department of Health and Human Services to implement the program.

SECTION 10.66.(b) The pharmaceutical and therapeutics committee of the Physician's Advisory Group (PAG) shall provide ongoing review of the preferred drug list. Members of the committee shall submit conflict of interest disclosure statements to the Department and shall have an ongoing duty to disclose conflicts of interest not included in the original disclosure.

SECTION 10.66.(c) The Department, in consultation with the PAG, shall adopt and publish policies and procedures relating to the preferred drug list, including:

(1) Guidelines for the presentation and review of drugs for inclusion on the preferred drug list,

(2) The manner and frequency of audits of the preferred drug list for appropriateness of patient care and cost-effectiveness,

(3) An appeals process for the resolution of disputes, and

(4) Such other policies and procedures as the Department deems necessary and appropriate.

The Department and the pharmaceutical and therapeutics committee shall consider all therapeutic classes of prescription drugs for inclusion on the preferred drug list, except medications for treatment of human immunodeficiency virus or acquired immune deficiency syndrome shall not be subject to consideration for inclusion on the preferred drug list.

The Department shall maintain an updated preferred drug list in electronic format and shall make the list available to the public on the Department's Internet Web site.

The Department shall: (i) enter into a multistate purchasing pool; (ii) negotiate directly with manufacturers or labelers; (iii) contract with a pharmacy benefit manager for negotiated discounts or rebates for all prescription drugs under the medical assistance program; or (iv) effectuate any combination of these options in order to achieve the lowest available price for such drugs under such program.

The Department may negotiate supplemental rebates from manufacturers that are in addition to those required by Title XIX of the federal Social Security Act. The committee shall consider a product for inclusion on the preferred drug list if the manufacturer provides a supplemental rebate. The Department may procure a sole source contract with an outside entity or contractor to conduct negotiations for supplemental rebates.

SECTION 10.66.(d) This section becomes effective if the Department cannot demonstrate by June 1, 2010, that twenty million seven hundred ninety-one thousand two hundred sixty-four dollars ($20,791,264) in prescription drug savings have been realized by employing the methods outlined in subsection (a) of this section.

MEDICAID APPEALS/FUNDS DO NOT REVERT

SECTION 10.67. Funds transferred from the Department of Health and Human Services to the Office of Administrative Hearings in the 2008-2009 fiscal year for mediation services shall not revert to the General Fund on June 30, 2009, but shall remain in the Office of Administrative Hearings for the purposes for which the funds were transferred.

CLARIFYING CHANGES TO STATE MEDICAID RESPONSIBILITIES

SECTION 10.68. Consistent with Sections 31.16.1(c) and (d) of S.L. 2007-323 that require the State to assume responsibility for the nonfederal share of the costs of medical services provided under the Medicaid Program starting June 1, 2009, the counties shall neither bear any responsibility for settlement payments to providers nor refunds of expenditures for program service claims paid on or before June 1, 2009. Counties will continue to participate in their share of administrative costs.

CO-PAYMENTS FOR TICKET TO WORK

SECTION 10.69. G.S. 108A-54.1(d) reads as rewritten:

"**§ 108A-54.1. Medicaid buy-in for workers with disabilities.**

...

(d) Fees, Premiums, and Co-Payments. – Individuals who participate in HCWD and have countable income greater than one hundred fifty percent (150%) of FPG shall pay an annual enrollment fee of fifty dollars ($50.00) to their county department of social services. Individuals who participate in HCWD and have countable income greater than or equal to two hundred percent (200%) of FPG shall pay a monthly premium in addition to the annual fee. The Department shall set a sliding scale for premiums, which is consistent with applicable federal law. An individual with countable income equal to or greater than four hundred fifty percent (450%) of FPG shall pay not less than one hundred percent (100%) of the cost of the premium, as determined by the Department. The premium shall be based on the experience of all individuals participating in the Medical Assistance Program. Individuals who participate in HCWD are subject to co-payments equal to those required under the ~~North Carolina Health Choice Program.~~ Medical Assistance Program."

MEDICAID FALSE CLAIMS

SECTION 10.70.(a) G.S. 108A-70.11(5) reads as rewritten:

"(5) "Medical Assistance Program" means the Medical Assistance Program established pursuant to G.S. 108A-54 and includes the North Carolina Division of Medical Assistance and or its fiscal agent."

SECTION 10.70.(b) G.S. 108A-70.12(a) reads as rewritten:

"**§ 108A-70.12. Liability for certain acts; damages; effect of repayment.**

(a) Liability for Certain Acts. – It shall be unlawful for any provider of medical assistance under the Medical Assistance Program ~~to:~~to do any of the following:

(1) Knowingly present, or cause to be presented to the Medical Assistance Program a false or fraudulent claim for payment or ~~approval; or~~ approval.

(2) Knowingly make, use, or cause to be made or used a false record or statement to get a false or fraudulent claim paid or approved by the Medical Assistance ~~Program.~~Program.

(3) Conspire to defraud the Medical Assistance Program by obtaining a false or fraudulent claim allowed or paid.

(4) Knowingly make, use, or cause to be made or used, a false record or statement to conceal, avoid, or decrease an obligation to pay or transmit money or property to the Medical Assistance Program. Each claim presented or caused to be presented in violation of this section is a separate violation."

SECTION 10.70.(c) G.S. 108A-70.12(b)(1) reads as rewritten:

"(b) Damages. –

(1) Except as provided in subdivision (2) of this subsection, a court shall assess against any provider of medical assistance under the Medical Assistance Program who violates this section a civil penalty of not less than five thousand five hundred dollars ~~($5,000)~~($5,500) and not more than ~~ten thousand dollars ($10,000)~~eleven thousand dollars ($11,000) plus three times the amount of damages which the ~~Medicaid~~ Medical Assistance Program sustained because of the act of the provider."

SECTION 10.70.(d) Article 2 of Chapter 108A of the General Statutes is amended by adding the following new Part to read:

"Part 7A. Civil Action by Private Persons for Provider False Claims.

"**§ 108A-70.17. Civil action filed by private persons.**

(a) A person may initiate a civil action for a violation of G.S. 108A-70.12 on behalf of the person and the State. The action shall be brought in the name of the State. The action may be dismissed prior to service of the complaint upon the defendant under subsection (c) of this section only if the court and the Attorney General have given written consent to the dismissal and their reasons for consenting.

(b) A copy of the complaint and written disclosure of substantially all material evidence and information the person possesses shall be served on the State. The complaint shall be filed in camera, shall remain under seal for at least 120 days, and shall not be served on the defendant until the court so orders. The State may elect to intervene and proceed with the action within 120 days after it receives both the complaint and the material evidence and information. The State may, for good cause shown, move the court for a partial lifting of the seal to facilitate the investigative process or settlement.

(c) The State may, for good cause shown, move the court for extensions of the time during which the complaint remains under seal. Any of these motions may be supported by affidavits or other submission in camera. The time period to respond to any complaint filed under this section shall commence 21 days after the complaint is unsealed and served upon the defendant.

(d) Before the expiration of the 120-day period or any extensions obtained under subsection (c) of this section, the State shall either proceed with the action, in which case the action shall be conducted by the State, or notify the court that it declines to take over the action, in which case the person initiating the action shall have the right to prosecute the action.

(e) When a person initiates an action under this section, no person other than the State may intervene or bring a related action based on the facts underlying the pending action. If another action is filed based on the facts underlying the pending action while the complaint is sealed under subsections (b) and (c) of this section, the court may consolidate the actions or dismiss the subsequent action.

"**§ 108A-70.17A. Rights of private plaintiff and State.**

(a) If the State proceeds with the action, it shall have the primary responsibility for prosecuting the action and shall not be bound by any act of the person initiating the action. The person bringing the action shall have the right to continue as a party to the action, subject to the limitations of this section.

(b) The State may dismiss the action notwithstanding the objections of the person initiating the action if the person has been notified by the State of the filing of the motion, and the court has provided the person with an opportunity for a hearing on the motion.

(c) The State may settle the action with the defendant notwithstanding the objections of the person initiating the action if the court determines, after a hearing, that the proposed settlement is fair, adequate, and reasonable under all the circumstances. Upon a showing of good cause, such hearing may be held in camera.

(d) If the State proceeds with the action, the court may, in its discretion, impose limitations on the person's participation in the litigation as set forth in subsection (e) of this section. Such limitations must be imposed after any of the following:

(1) A showing by the State that unrestricted participation during the course of the litigation by the person initiating the action would interfere with or unduly delay the State's prosecution of the case, or would be repetitious, irrelevant, or for purposes of harassment.

(2) A showing by the defendant that unrestricted participation during the course of the litigation by the person initiating the action would be for purposes of harassment or would cause the defendant undue burden or unnecessary expense.

(e) Limitations on participation of the person initiating the action shall include all of the following:

(1) Limiting the number of witnesses the person may call.

(2) Limiting the length of the testimony of such witnesses.

(3) Limiting the person's cross-examination of witnesses.

(4) Other limits on the participation by the person initiating the action in the litigation as the court deems appropriate.

(f) If the State elects not to proceed with the action, the person who initiated the action shall have the right to conduct the action. If the State so requests, it shall be served with copies of all pleadings filed in the action and shall be supplied with copies of all deposition transcripts at the State's expense. When a person initiating the action proceeds with the action, the court, without limiting the status and rights of the person initiating the action, may nevertheless permit the State to intervene at a later date upon a showing of good cause.

(g) Whether or not the State proceeds with the action, upon a showing by the State that certain actions of discovery by the person initiating the action would interfere with the State's investigation or prosecution of a criminal or civil matter arising out of the same facts, the court may stay the discovery for a period of not more than 60 days. The showing by the State shall be conducted in camera. The court may extend the 60-day period upon a further showing in camera that the State has pursued the criminal or civil investigation or proceedings with

reasonable diligence and any proposed discovery in the civil action will interfere with the ongoing criminal or civil investigation or prosecution of the criminal or civil matter.

(h) Notwithstanding G.S. 108A-70.17(b), the State may elect to pursue its claim through any alternate remedy available to the State, including any administrative proceeding to determine a civil money penalty. Any finding of fact or conclusion of law made in the alternate proceeding that has become final shall be conclusive on all parties to an action under this Part. For purposes of this subsection, a finding or conclusion is final if it has been finally determined on appeal by a court of competent jurisdiction of the State, if the time for filing an appeal with respect to the finding or conclusion has expired, or if the finding or conclusions are not subject to judicial review.

"**§ 108A-70.17B. Award to qui tam plaintiff.**

(a) Except as otherwise provided in this section, if the State proceeds with an action brought by a person under G.S. 108A-70.17, the person shall receive at least fifteen percent (15%) but not more than twenty-five percent (25%) of the proceeds of the action or settlement of the claim, if any, depending upon the extent to which the person substantially contributed to the prosecution of the action. The plaintiff's share in the proceeds of the action or settlement is administrative costs of the action. A share of the proceeds of an action or settlement of the claim shall not be awarded to the person initiating the action in State court under this Part if the person has received or may receive a share of the proceeds or settlement of an action or claim on the same facts brought in federal court. Where the action is one that the court finds to be based primarily on disclosures of specific information, other than information proved by the person initiating the action, relating to allegations or transactions in a criminal, civil, or administrative hearing, in a legislative, administrative, or State Auditor's report, hearing, audit, or investigation, or from the news media, the court may reduce the award under this subsection to such sums as it considers appropriate, but in no case more than ten percent (10%) of the proceeds of the action, taking into account the significance of the information and the role of the person initiating the action in advancing the case to litigation.

(b) If the State does not proceed with an action, the person initiating the action or settling the claim shall receive an amount that the court decides is reasonable for collecting the civil penalty and damages, if awarded. The amount shall be not less than twenty-five percent (25%) and not more than thirty percent (30%) of the proceeds of the action or settlement and shall be paid out of the proceeds.

(c) Notwithstanding subsections (a) and (b) of this section, if the person initiating the action is a person who primarily planned and initiated the violation of G.S. 108A-70.12 upon which the action was brought, that person shall be dismissed as a qui tam plaintiff and shall not receive any share of the proceeds of the action. If the person initiating the action is convicted of criminal conduct arising from the person's role in the violation of G.S. 108A-70.12, that person shall be dismissed from the civil action and shall not receive any share of the proceeds of the action. The dismissal shall not prejudice the right of the State to continue the action.

(d) If the State does not proceed with the action and the person initiating the action conducts the action, the court may award to the defendant its reasonable attorneys' fees and expenses if the defendant prevails in the action and if the court finds that the claim of the person bringing the action was clearly frivolous, clearly vexatious, or brought primarily for purposes of harassment.

"**§ 108A-70.17C. Certain actions barred.**

(a) No court shall have jurisdiction over an action brought under this Part based on information discovered by a present or former employee of the State or a political subdivision of the State during the course of the present or former employee's employment unless that employee first, in good faith, exhausted existing internal procedures for reporting and seeking recovery of the falsely claimed sums through official channels, and unless the State or political subdivision failed to act on the information provided within a reasonable period of time.

(b) In no event may a person bring an action under this Part that is based upon allegations or transactions that are the subject of a criminal action, civil action, or an administrative proceeding in which the State is already a party.

(c) No court shall have jurisdiction over an action under this Part based upon the public disclosure of allegations or transactions in a criminal, civil, or administrative hearing, in a legislative, administrative, or State Auditor's report, hearing, audit, or investigation, or from the news media, unless the action is brought by the Attorney General, or the person initiating the action is an original source of the information. For purposes of this section, "original source" means an individual who has direct and independent knowledge of the information on which the allegations are based and has voluntarily provided the information to the State before filing an action under this Part that is based on the information.

(d) The State is not liable for expenses a person incurs in bringing an action under this Part.

(e) G.S. 108A-70.14 and G.S. 108A-70.15 apply to this Part.

"**§ 108A-70.17D. Procedure; statute of limitations.**

(a) A civil action under this Part may not be brought after the later of either of the following:

(1) More than six years after the date on which the violation is committed.

(2) More than three years after the date when facts material to the right of the action are known or reasonably should have been known by the official of the State charged with responsibility to act in the circumstances.

(b) If the civil action is brought under subdivision (a)(2) of this section, it may not be brought more than 10 years after the date on which the violation is committed."

SECTION 10.70.(e) G.S. 108A-70.15 reads as rewritten:

"**§ 108A-70.15. Employee remedies.**

(a) In the absence of fraud or malice, no person who furnishes information to officials of the State responsible for investigating false claims violations shall be liable for damages in a civil action for any oral or written statement made or any other action that is necessary to supply information required pursuant to this ~~Part.~~ Part or Part 7A of this Article.

(b) Any employee of a provider who is discharged, demoted, suspended, threatened, harassed, or in any other manner discriminated against in the terms and conditions of employment by the employee's employer because of lawful acts done by the employee on behalf of the employee or others in furtherance of an action under ~~G.S. 108A-70.12,~~ G.S. 108A-70.12, or Part 7A of this Article, including investigation for, initiation of, testimony for, or assistance in an action filed or to be filed under ~~G.S. 108A-70.12,~~ G.S. 108A-70.12, or Part 7A of this Article, shall be entitled to all relief necessary to make the employee whole. Relief shall include reinstatement with the same seniority status as the employee would have had but for the discrimination, two times the amount of back pay, interest on the back pay, and compensation for any special damages sustained as a result of the discrimination, including litigation costs and reasonable attorneys' fees. An employee may bring an action in the appropriate court for the relief provided in this section."

SECTION 10.70.(f) Provided that the Medicaid False Claims State legislation is adopted, and the State legislation meets federal Center for Medicare and Medicaid Services criteria to receive ten percent (10%) bonuses subject to the False Claims Act, the Department of Health and Human Services, Division of Medical Assistance, shall transfer three hundred fifty-two thousand one hundred thirty-six dollars ($352,136) in fiscal year 2010-2011, and each year thereafter, to fund five permanent staff positions at the Attorney General's Office necessary to implement the Medicaid False Claims Act.

SECTION 3.(g) This section becomes effective December 1, 2009, and applies to offenses committed, or civil actions accruing, on or after that date.

PROVIDER RATES

SECTION 10.71. The Department of Health and Human Services shall freeze rates for fiscal year 2009-2010 for most Medicaid providers at the level authorized in fiscal year 2008-2009. The rate freeze applies to all Medicaid private and public providers with the following exceptions: federally qualified health clinics, rural health centers, State institutions, outpatient hospital, pharmacy, and the noninflationary components of the case-mix reimbursement system for nursing facilities. Medicaid rates predicated upon Medicare fee schedules shall follow Medicare reductions but not Medicare increases unless federally required. Inflationary increases for Medicaid providers paying provider fees (private ICF-MRs and nursing facilities) can occur if the State share of the increases can be funded with provider fees.

MEDICAID WAIVER FOR LOW-INCOME PERSONS WITH HIV

SECTION 10.72. The Department of Health and Human Services, Division of Medical Assistance, shall study whether to apply to the Centers for Medicare and Medicaid Services (CMS) for a 1115 waiver to permit individuals who test positive for HIV and have incomes at or below two hundred percent (200%) of the federal poverty level to access Medicaid services. The study shall determine the number of people who may be eligible, and the financial, programmatic, and technical impact of the waiver. The Department shall report on the results of its study of the waiver 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 December 31, 2009.

MAINTAIN MEDICAID ELIGIBILITY

SECTION 10.73. The Department of Health and Human Services, Division of Medical Assistance, shall study policies that will prevent a Medicaid recipient from losing Medicaid eligibility when the annual Social Security and Railroad Retirement Cost of Living Adjustments (COLAs) and the annual Federal Poverty Level adjustment cause a Medicaid recipient to become income-ineligible for Medicaid. The policies shall apply only in cases where Medicaid income eligibility is affected only by Social Security and Railroad Retirement COLAs and Federal Poverty Level adjustments and shall not render a Medicaid recipient eligible if all other eligibility requirements are not met. The Department shall report the results of the study 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 December 31, 2009. The Department shall also study policies that allow individuals who are at or marginally above Medicaid income limits to buy-in to Medicaid coverage on a sliding fee scale.

REDUCE INFANT MORTALITY AND PRETERM BIRTHS

SECTION 10.74.(a) The Department of Health and Human Services, Division of Medical Assistance, shall seek a Medicaid 1115 waiver or implement other available Medicaid options to provide interconceptional coverage to low-income women with incomes below one hundred eighty-five percent (185%) of the federal poverty guidelines who have given birth to a high-risk infant. A high-risk infant is defined as weighing less than 1500 grams, is born less than 34 weeks gestation, is born with a congenital anomaly, or who has died within the first 28 days of life.

SECTION 10.74.(b) Interconceptional care shall be limited to two years following the birth of a high-risk infant, or until a subsequent birth, whichever comes first.

SECTION 10.74.(c) The Division is authorized to develop a benefit package to improve interconceptional care to decrease poor birth outcomes in subsequent pregnancies.

SECTION 10.74.(d) The Division shall provide estimates of the cost savings from improved birth outcomes that will offset the cost of providing Medicaid coverage to this targeted population. The Division shall report the status of the waiver 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 October 1, 2009. The Division shall not implement the waiver unless authorized by an act of the General Assembly.

NC NOVA

SECTION 10.75. The Department of Health and Human Services, Division of Health Services Regulation, may use up to eighty-eight thousand dollars ($88,000) for fiscal year 2009-2010 and ninety-three thousand seven hundred dollars ($93,700) for fiscal year 2010-2011 of existing resources to continue the NC New Organizational Vision Award certification program. The Division shall use federal civil monetary penalty receipts as a source of support for this initiative, when appropriate.

DHSR LICENSE FEE INCREASES

SECTION 10.76.(a) G.S. 131D-2(b) reads as rewritten:

"**§ 131D-2. Licensing of adult care homes for the aged and disabled.**

(b) Licensure; inspections. –

(1) The Department of Health and Human Services shall inspect and license, under rules adopted by the Medical Care Commission, all adult care homes for persons who are aged or mentally or physically disabled except those exempt in subsection (c) of this section. Licenses issued under the authority of this section shall be valid for one year from the date of issuance unless revoked earlier by the Secretary for failure to comply with any part of this section or any rules adopted hereunder. Licenses shall be renewed annually upon filing and the Department's approval of the renewal application. The Department shall charge each adult care home with six or fewer beds a nonrefundable annual license fee in the amount of ~~two hundred fifty dollars ($250.00).~~three hundred fifteen dollars ($315.00). The Department shall charge each adult care home with more than six beds a nonrefundable annual license fee in the amount of ~~three hundred fifty dollars ($350.00)~~three hundred sixty dollars ($360.00) plus a nonrefundable annual per-bed fee of ~~twelve dollars and fifty cents ($12.50)~~seventeen dollars and fifty cents ($17.50)."

SECTION 10.76.(b) G.S. 131E-147 reads as rewritten:

"**§ 131E-147. Licensure requirement.**

(a) No person shall operate an ambulatory surgical facility without a license obtained from the Department.

(b) Applications shall be available from the Department, and each application filed with the Department shall contain all necessary and reasonable information that the Department may by rule require. A license shall be granted to the applicant upon a determination by the Department that the applicant has complied with the provisions of this Part and the rules promulgated by the Commission under this Part. The Department shall charge the applicant a nonrefundable annual base license fee in the amount of ~~seven hundred dollars ($700.00)~~eight hundred fifty dollars ($850.00) plus a nonrefundable annual per-operating room fee in the amount of ~~fifty dollars ($50.00).~~seventy-five dollars ($75.00)."

SECTION 10.76.(c) G.S. 131E-167(a) reads as rewritten:

"**§ 131E-167. Certificate requirement.**

(a) Applications for certification shall be available from the Department, and each application filed with the Department shall contain all necessary and reasonable information that the Department may by rule require. A certificate shall be granted to the applicant for a period not to exceed one year upon a determination by the Department that the applicant has substantially complied with the provisions of this Article and the rules promulgated by the Department under this Article. The Department shall charge the applicant a nonrefundable annual certification fee in the amount of ~~two hundred fifty dollars ($250.00).~~three hundred eighty-five dollars ($385.00)."

SECTION 10.76.(d) G.S. 131E-138(c) reads as rewritten:

"**§ 131E-138. Licensure requirements.**

(c) An application for a license shall be available from the Department, and each application filed with the Department shall contain all information requested by the Department. A license shall be granted to the applicant upon a determination by the Department that the applicant has complied with the provisions of this Part and the rules promulgated by the Commission under this Part. The Department shall charge the applicant a nonrefundable annual license fee in the amount of ~~four hundred dollars ($400.00).~~five hundred ten dollars ($510.00)."

SECTION 10.76.(e) G.S. 131E-77 reads as rewritten:

"**§ 131E-77. Licensure requirement.**

(a) No person or governmental unit shall establish or operate a hospital in this state without a license. An infirmary is not required to obtain a license under this Part.

(b) The Commission shall prescribe by rule that any licensee or prospective applicant seeking to make specified types of alteration or addition to its facilities or to construct new facilities shall submit plans and specifications before commencement to the Department for preliminary inspection and approval or recommendations with respect to compliance with the applicable rules under this Part.

(c) An applicant for licensing under this Part shall provide information related to hospital operations as requested by the Department. The required information shall be submitted by the applicant on forms provided by the Department and established by rule.

(d) The Department shall renew each license in accordance with the rules of the Commission. The Department shall charge the applicant a nonrefundable annual base license fee plus a nonrefundable annual per-bed fee as follows:

Facility Type	**Number of Beds**	**Base Fee**	**Per-Bed Fee**
General Acute Hospitals:	1-49 beds	$250.00	~~$12.50~~ $17.50
	50-99 beds	$350.00	~~$12.50~~ $17.50
	100-199 beds	$450.00	~~$12.50~~ $17.50
	200-399 beds	$550.00	~~$12.50~~ $17.50
	400-699 beds	$750.00	~~$12.50~~ $17.50
	700+ beds	$950.00	~~$12.50~~ $17.50
Other Hospitals:		$500.00	~~$12.50~~ $17.50

(e) The Department shall issue the license to the operator of the hospital who shall not transfer or assign it except with the written approval of the Department. The license shall designate the number and types of inpatient beds, the number of operating rooms, and the number of gastrointestinal endoscopy rooms.

(f) The operator shall post the license on the licensed premises in an area accessible to the public."

SECTION 10.76.(f) G.S. 122C-23(h) reads as rewritten:

"(h) The Department shall charge facilities licensed under this Chapter 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~~ $215.00	$0
	1 to 6 beds	~~$250.00~~ $305.00	$0
	More than 6 beds	~~$350.00~~ $475.00	~~$12.50~~ $17.50
ICF/MR Only:	1 to 6 beds	~~$650.00~~ $845.00	$0
	More than 6 beds	~~$650.00~~ $800.00	~~$12.50~~ $17.50"

SECTION 10.76.(g) G.S. 131E-102(b) reads as rewritten:

"(b) Applications shall be available from the Department, and each application filed with the Department shall contain all necessary and reasonable information that the Department may by rule require. A license shall be granted to the applicant upon a determination by the Department that the applicant has complied with the provisions of this Part and the rules promulgated under this Part. The Department shall charge the applicant a nonrefundable annual license fee in the amount of ~~four hundred fifty dollars ($450.00)~~ four hundred twenty dollars ($420.00) plus a nonrefundable annual per-bed fee of ~~twelve dollars and fifty cents ($12.50).~~seventeen dollars and fifty cents ($17.50)."

DHSR INITIAL LICENSURE FEES NEW FACILITIES

SECTION 10.77. Article 16 of Chapter 131E of the General Statutes is amended by adding the following new section to read:

"**§ 131E-272. Initial licensure fees for new facilities.**

The following fees are initial licensure fees for new facilities and are applicable as follows:

Facility Type	Number of Beds	Initial License Fee	Initial Bed Fee
Adult Care Licensure	More than 6	$400.00	$19.00
	6 or Fewer	$350.00	$ -
Acute and Home Care			
General Acute Hospitals	1-49	$550.00	$19.00
	50-99	$750.00	$19.00
	100-199	$950.00	$19.00
	200-399	$1150.00	$19.00
	400-699	$1550.00	$19.00
	700+	$1950.00	$19.00
Other Hospitals		$1050.00	$19.00
Home Care	-	$560.00	$ -
Ambulatory Surgical Ctrs.	-	$900.00	$85.00
Hospice (Free Standing)	-	$450.00	$ -
Abortion Clinics	-	$750.00	$ -
Cardiac Rehab. Centers	-	$425.00	$ -
Nursing Home & L&C			
Nursing Homes		$470.00	$19.00
All Others		$ -	$19.00
Mental Health Facilities			
Nonresidential		$265.00	$ -
Non ICF-MR	6 or fewer	$350.00	$ -
ICF-MR only	6 or fewer	$900.00	$ -

Non ICF-MR	More than 6	$525.00	$19.00
ICF-MR only	More than 6	$850.00	$19.00."

DHHS BLOCK GRANTS

SECTION 10.78.(a) Appropriations from federal block grant funds are made for the fiscal year ending June 30, 2010, 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)	$87,518,579
02.	Work First County Block Grants	94,453,315
03.	Child Protective Services – Child Welfare Workers for Local DSS	14,452,391
04.	Work First – Boys and Girls Clubs	800,000
05.	Work First – Connect, Inc.	67,523
06.	Child Welfare Collaborative	887,517

Division of Child Development

07.	Subsidized Child Care Program	61,087,077

Division of Public Health

08.	Teen Pregnancy Prevention Initiatives	450,000

DHHS Administration

09.	Division of Social Services	1,093,176
10.	Office of the Secretary	75,392
11.	Office of the Secretary/DIRM – TANF Automation Projects	720,000
12.	Office of the Secretary/DIRM – NC FAST Implementation	1,200,000

Transfers to Other Block Grants

Division of Child Development

13.	Transfer to the Child Care and Development Fund	84,330,900
	Division of Social Services	
14.	Transfer to Social Services Block Grant for Child Protective Services – Child Welfare Training in Counties	2,550,000
15.	Transfer to Social Services Block Grant for Maternity Homes	60,503
16.	Transfer to Social Services Block Grant for Teen Pregnancy Prevention Initiatives	2,500,000
17.	Transfer to Social Services Block Grant for County Departments of Social Services for Children's Services	4,500,000
18.	Transfer to Social Services Block Grant for Foster Care Services	390,000
19.	Transfer to Social Services Block Grant for Medically Fragile Children	260,000
TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) BLOCK GRANT		$357,396,373
TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) CONTINGENCY FUNDS BLOCK GRANT		
Local Program Expenditures		
	Division of Social Services	
01.	Work First Family Assistance (Cash Assistance)	$1,857,193
02.	Work First – Boys and Girls Clubs	1,200,000
03.	Work First – Afterschool Services For At-Risk Children	1,229,785
04.	Work First – Afterschool Programs For At-Risk Youth in Middle Schools	300,000
05.	Work First – Connect, Inc. (Work Central)	301,025
06.	Work First – Citizens Schools Program	360,000
07.	County Demonstration Grants	3,239,789
08.	Adoption Services – Special Children's Adoption Fund	3,000,000

09.	Family Violence Prevention	2,200,000
10.	Child Welfare Collaborative	987,995
11.	Work First Functional Assessment	600,000
12.	Electing County State Funding Swap Out	2,378,213
13.	State Subsidized Child Care Funding Swap	12,452,484
TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) CONTINGENCY FUNDS BLOCK GRANT		$30,106,484

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	243,121
05.	Foster Care Services (Transfer from TANF – $390,000)	2,372,619
06.	Maternity Homes (Transfer from TANF – $60,503)	943,002
07.	Special Children Adoption Incentive Fund	500,000
08.	Child Protective Services-Child Welfare Training for Counties (Transfer from TANF)	2,550,000

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 and 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 Community Health Program	188,263
Division of Public Health	
15. Teen Pregnancy Prevention Initiatives (Transfer from TANF)	2,500,000
16. Services for Medically Fragile Children (Transfer from TANF – $260,000)	360,000
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	3,714,211
Division of Health Service Regulation	
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	688,436
22. Division of Social Services	892,624
23. Office of the Secretary/Controller's Office	138,058
24. Office of the Secretary/DIRM	87,483
25. Division of Child Development	15,000
26. Division of Mental Health, Developmental	

	Disabilities, and Substance Abuse Services	29,665
27.	Division of Health Service Regulation	235,625
28.	Office of the Secretary-NC Inter-Agency Council For Coordinating Homeless Programs	250,000
29.	Office of the Secretary	48,053
Transfers to Other State Agencies		
Department of Administration		
30.	NC Commission of Indian Affairs In-Home Services for the Elderly	203,198
Transfers to Other Block Grants		
Division of Public Health		
31.	Transfer to Preventive Health Services Block Grant For HIV/STD Prevention and Community Planning	145,819
TOTAL SOCIAL SERVICES BLOCK GRANT		$ 63,735,946
LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT		
Local Program Expenditures		
Division of Social Services		
01.	Low-Income Energy Assistance Program (LIEAP)	$ 25,909,124
02.	Crisis Intervention Program (CIP)	20,224,269
Office of the Secretary – Office of Economic Opportunity		
03.	Weatherization Program	1,000,000
04.	Heating Air Repair & Replacement Program (HARRP)	3,385,583
Local Administration		
Division of Social Services		
05.	County DSS Administration	3,608,360
Office of the Secretary – Office of Economic Opportunity		
06.	Local Residential Energy Efficiency Service Providers – Weatherization	420,035

07.	Local Residential Energy Efficiency Service Providers – HARRP	195,910
DHHS Administration		
08.	Division of Social Services	275,000
09.	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	8,128
10.	Office of the Secretary/DIRM	269,935
11.	Office of the Secretary/Controller's Office	12,332
12.	Office of the Secretary/Office of Economic Opportunity – Weatherization	294,874
13.	Office of the Secretary/Office of Economic Opportunity – HARRP	137,574
Transfers to Other State Agencies		
14.	Department of Administration – N.C. State Commission of Indian Affairs	67,042
TOTAL LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT		$ 55,808,166
CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT		
Local Program Expenditures		
Division of Child Development		
01.	Subsidized Child Care Services (CCDF)	$144,097,307
02.	Contract Subsidized Child Care Services Support	507,617
03.	Subsidized Child Care Services (Transfer from TANF)	84,330,900
04.	Quality and Availability Initiatives	20,760,876
05.	T.E.A.C.H. Program	3,800,000
Division of Social Services		
06.	Local Subsidized Child Care Services Support	$16,594,417
DHHS Administration		

Division of Child Development		
07.	DCD Administrative Expenses	6,539,277
Division of Central Administration		
08.	DHHS Central Administration – DIRM Technical Services	763,356
TOTAL CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT		$277,393,750

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT RECEIVED THROUGH THE AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)

Local Program Expenditures		
Division of Child Development		
01.	Subsidized Child Care Services (CCDF) (High Quality Four-Year-Old Classrooms)	$53,993,329
02.	Contract Subsidized Child Care Services Support	29,030
DHHS Program Expenditures		
Division of Child Development		
03.	Quality and Availability Initiatives	11,519,144
Local Administration		
Division of Social Services		
04.	Subsidy Services Support	2,001,631
TOTAL CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT RECEIVED THROUGH ARRA		$67,543,143

MENTAL HEALTH SERVICES BLOCK GRANT

Local Program Expenditures		
01.	Mental Health Services – Adult	$ 5,977,762
02.	Mental Health Services – Child	3,921,991
03.	Comprehensive Treatment Service Program	1,500,000
04.	Mental Health Services – UNC School of Medicine,	

Department of Psychiatry	300,000
TOTAL MENTAL HEALTH SERVICES BLOCK GRANT	$ 11,699,753
SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT	
Local Program Expenditures	
Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	
01. Substance Abuse Services – Adult	$ 22,258,080
02. Substance Abuse Treatment Alternative for Women	8,069,524
03. Substance Abuse – HIV and IV Drug	5,116,378
04. Substance Abuse Prevention – Child	7,186,857
05. Substance Abuse Services – Child	4,940,500
06. Implementation – Institute of Medicine's Study Recommendations	250,000
Division of Public Health	
07. Risk Reduction Projects	633,980
08. Aid-to-Counties	209,576
09. Maternal Health	37,779
TOTAL SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT	$ 48,702,674
MATERNAL AND CHILD HEALTH BLOCK GRANT	
Local Program Expenditures	
Division of Public Health	
01. Children's Health Services	7,534,865
02. Women's Health	7,701,691
03. Oral Health	38,041
DHHS Program Expenditures	
Division of Public Health	

04.	Children's Health Services	1,359,636
05.	Women's Health	135,452
06.	State Center for Health Statistics	179,483
07.	Quality Improvement in Public Health	14,646
08.	Health Promotion	88,746
09.	Office of Minority Health	55,250
10.	Immunization Program – Vaccine Distribution	382,648

DHHS Administration

Division of Public Health

11.	Division of Public Health Administration	631,966

TOTAL MATERNAL AND CHILD HEALTH BLOCK GRANT $ 18,122,424

PREVENTIVE HEALTH SERVICES BLOCK GRANT

Local Program Expenditures

Division of Public Health

01.	NC Statewide Health Promotion	$1,730,653
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

Division of Public Health

04.	NC Statewide Health Promotion	1,699,044
05.	Oral Health	70,000
06.	State Laboratory of Public Health	16,600

TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT $3,859,228

COMMUNITY SERVICES BLOCK GRANT

Local Program Expenditures	
Office of Economic Opportunity	
01. Community Action Agencies	$ 16,673,336
02. Limited Purpose Agencies	926,297
DHHS Administration	
03. Office of Economic Opportunity	926,296
TOTAL COMMUNITY SERVICES BLOCK GRANT	$ 18,525,929

COMMUNITY SERVICES BLOCK GRANT RECEIVED THROUGH THE AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)

Local Program Expenditures	
Office of Economic Opportunity	
01. Community Action Agencies	$ 20,558,585
02. Limited Purpose Agencies	1,093,541
DHHS Administration	
03. Office of Economic Opportunity	218,709
TOTAL COMMUNITY SERVICES BLOCK GRANT RECEIVED THROUGH ARRA	$ 21,870,834

GENERAL PROVISIONS

SECTION 10.78.(b) 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.

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.

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

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

SECTION 10.78.(c) Appropriations from federal block grant funds are made for the fiscal year ending June 30, 2010, according to the schedule enacted for State fiscal year 2009-2010 or until a new schedule is enacted by the General Assembly.

SECTION 10.78.(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 Grants shall be reported immediately to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division. This subsection does not apply to Block Grant changes caused by legislative salary increases and benefit adjustments.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES BLOCK GRANT (TANF)

SECTION 10.78.(e) The sum of one million ninety-three thousand one hundred seventy-six dollars ($1,093,176) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2009-2010 fiscal year shall be used to support administration of TANF-funded programs.

SECTION 10.78.(f) The sum of two million two hundred thousand dollars ($2,200,000) appropriated under this section in TANF Contingency funds to the Department of Health and Human Services, Division of Social Services, for the 2009-2010 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, 2009. 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, 2009, 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, 2009. The Division of Social Services may reallocate unspent funds to counties that submit a written request for additional funds.

SECTION 10.78.(g) The sum of one million two hundred twenty-nine thousand seven hundred eighty-five dollars ($1,229,785) appropriated in this section in TANF Contingency funds to the Department of Health and Human Services, Division of Social Services, for the 2009-2010 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 10.78.(h) The sum of fourteen million four hundred fifty-two thousand three hundred ninety-one dollars ($14,452,391) appropriated in this section to the Department of Health and Human Services, Division of Social Services, in the TANF Block Grant for the 2009-2010 fiscal year for child welfare improvements shall be allocated to the county departments of social services for hiring or contracting staff to investigate and provide services in Child Protective Services cases; to provide foster care and support services; to recruit, train, license, and support prospective foster and adoptive families; and to provide interstate and post-adoption services for eligible families.

SECTION 10.78.(i) The sum of three million dollars ($3,000,000) appropriated in this section in TANF Contingency funds to the Department of Health and Human Services, Special Children Adoption Fund, for the 2009-2010 fiscal year shall be used in accordance with G.S. 108A-50.2, as enacted in **Section ## 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 10.78.(j) The sum of one million two hundred thousand dollars ($1,200,000) in this section appropriated to the Department of Health and Human Services in the TANF Block Grant for the 2009-2010 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, 2010.

SECTION 10.78.(k) The sum of three hundred thousand dollars ($300,000) appropriated in this section to the Department of Health and Human Services, Division of Social Services, in TANF Contingency funds for the 2009-2010 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 10.78.(l) In implementing the TANF Block Grants, 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 10.78.(m) The sum of sixty-seven thousand five hundred twenty-three dollars ($67,523) appropriated in this section to the Department of Health and Human Services in the TANF Block Grant and the sum of three hundred one thousand twenty-five dollars ($301,025) appropriated in this section to the Department in TANF Contingency funds for the 2009-2010 fiscal year shall be transferred to Connect, Inc. Connect, 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 Connect, 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 Connect, 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, 2010.

SECTION 10.78.(n) The sum of eight hundred thousand dollars ($800,000) appropriated in this section to the Department of Health and Human Services in the TANF Block Grant and the sum of one million two hundred thousand dollars ($1,200,000) appropriated in this section to the Department in TANF Contingency funds for Boys and Girls Clubs for the 2009-2010 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 TANF 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 10.78.(o) The Department of Health and Human Services, Division of Social Services, shall continue implementing county demonstration grants that began in the 2006-2007 fiscal year. The county demonstration grants may be awarded for up to three years with all projects ending no later than the end of fiscal year 2009-2010. The purpose of the county demonstration grants is to identify best practices that can be used by counties to improve the work participation rates. 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 2009-2010.

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.

The Department of Health and Human Services, Division of Social Services, shall report on the status of county demonstration grants implemented pursuant to 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 February 1, 2010.

SECTION 10.78.(p) The sum of one million eight hundred seventy-five thousand five hundred twelve dollars ($1,875,512) appropriated in this section to the Department of Health and Human Services in the TANF Block Grant and in TANF Contingency funds for the 2009-2010 fiscal year shall be used to continue support for the Child Welfare Collaborative.

SOCIAL SERVICES BLOCK GRANT

SECTION 10.78.(q) 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 10.78.(r) 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 2009-2010 fiscal year to support various child welfare training projects as follows:

(1) Provide a regional training center in southeastern North Carolina.

(2) Provide training for residential child caring facilities.

(3) Provide for various other child welfare training initiatives.

SECTION 10.78.(s) The sum of nine hundred forty-three thousand two dollars ($943,002) appropriated in this section to the Department of Health and Human Services in the Social Services Block Grant for the 2009-2010 fiscal year shall be used to support payments to maternity home providers.

SECTION 10.78.(t) The sum of three hundred sixty thousand dollars ($360,000) appropriated in this section to the Department of Health and Human Services, Division of Public Health, in the Social Services Block Grant for the 2009-2010 fiscal year shall be used to continue support for the Medically Fragile Children program.

SECTION 10.78.(u) The sum of two million three hundred seventy-two thousand six hundred nineteen dollars ($2,372,619) appropriated in this section in the Social Services Block Grant for child caring agencies for the 2009-2010 fiscal year shall be allocated to the State Private Child Caring Agencies Fund.

SECTION 10.78.(v) The Department of Health and Human Services is authorized, subject to the approval of the Office of State Budget and Management, to transfer Social Services Block Grant funding allocated for departmental administration between divisions that have received administrative allocations from the Social Services Block Grant.

SECTION 10.78.(w) Social Services Block Grant funds appropriated for the Special Children's Adoption Incentive Fund will require fifty percent (50%) local match.

LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT

SECTION 10.78.(x) Additional emergency contingency funds received may be allocated for Energy Assistance Payments or Crisis Intervention Payments without prior consultation with the Joint Legislative Commission on Governmental Operations. Additional funds received shall be reported to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division upon notification of the award. The Department of Health and Human Services shall not allocate funds for any activities, including increasing administration, other than assistance payments, without prior consultation with the Joint Legislative Commission on Governmental Operations.

In addition to funds available for weatherization appropriated within the Low-Income Home Energy Assistance Block Grant, funds available through the American Recovery and Reinvestment Act shall be used to continue to enhance weatherization activities coordinated by local agencies.

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT

SECTION 10.78.(y) Payment for subsidized child care services provided with federal TANF funds shall comply with all regulations and policies issued by the Division of Child Development for the subsidized child care program.

SECTION 10.78.(z) 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.

SECTION 10.78.(aa) Funds from the Child Care and Development Fund Block Grant and Child Care and Development Fund Block Grant received through the American Recovery and Reinvestment Act shall be used to increase access to child care subsidy. To help address the economic downturn and increasing unemployment in North Carolina, the Department of Health and Human Services, Division of Child Development shall adopt temporary policies that facilitate and expedite the prudent expenditure of these funds as follows:

(1) Permit the local purchasing agencies to issue time-limited vouchers to assist counties in managing one-time, nonrecurring subsidy funding.

(2) Extend the current 30/60 day job search policy to six months when a recipient experiences a loss of employment.

(3) Provide an upfront job search period of six months for former recipients who have lost employment since October 1, 2008.

(4) Provide a job search period of six months for recipients that complete school and are entering the job market.

(5) Notwithstanding any other provision of law, extend the 24-month education time limit for an additional 12 months for a child care recipient who has lost a job since October 1, 2008, or otherwise needs additional training to enhance his or her marketable skills for job placement due to the economic downturn and who has depleted his or her 24-month allowable education time.

(6) Lower the number of hours a parent must be working in order to be eligible for subsidy to assist parents who are continuing to work but at reduced hours.

SECTION 10.78.(bb) If American Recovery and Reinvestment Act 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 10.78.(cc) 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 2009-2010 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 2009-2010 fiscal year shall be used to continue a Comprehensive Treatment Services Program for Children.

MATERNAL AND CHILD HEALTH BLOCK GRANT

SECTION 10.78.(dd) 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 2009-2010 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 10.78.(ee) The Department of Health and Human Services shall ensure that there will be follow-up testing in the Newborn Screening Program.

SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT

SECTION 10.78.(ff) The sum of two hundred fifty thousand dollars ($250,000) appropriated in this section in the Substance Abuse Prevention and Treatment Block Grant to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the 2009-2010 fiscal year shall be used to implement one or more priority recommendations of the North Carolina Institute of Medicine (NCIOM) Substance Abuse Task Force, which include:

(1) Development of a comprehensive substance abuse prevention plan for use at the State and local levels.

(2) Providing funding for the establishment of six pilot projects to implement county or multicounty comprehensive prevention plans.

(3) Supporting efforts to reduce high-risk drinking on college campuses.

(4) Development of a pilot program to provide chronic disease management services to substance abuse clients and former clients. The purpose of the pilot is to decrease the number of short-term hospital admissions and to provide discharge planning and follow-up to reduce substance abuse client recidivism.

(5) Educating and encouraging health care professionals to use the screening, brief intervention, and referral to treatment (SBIRT) model promoted by the federal government.

COMMUNITY SERVICES BLOCK GRANT

SECTION 10.78.(gg) In accordance with the intent of the American Recovery and Reinvestment Act, the North Carolina General Assembly strongly encourages recipients of Community Services Block Grant and Community Services Block Grant Recovery funds to enhance cooperation with county departments of social services and regional food banks to increase benefits enrollment for eligible persons, including Food and Nutrition Services and Medical Assistance.

FISCAL CRISIS/FURLOUGH FLEXIBILITY

SECTION 6.6.(a) Findings. – The General Assembly finds that:

(1) The extreme fiscal crisis affecting North Carolina's economy, the national economy, and global economic markets has substantially reduced the State's revenue projections for the 2009-2011 biennium.

(2) Economies in State expenditures and maximized efficiencies in State operations must be effected immediately and systematically in order to meet the compelling State interest of enacting a balanced budget in accordance with the State Constitution and to protect the interests of the people of North Carolina.

(3) Given the broad scope and depth of other budget reduction and efficiency measures required by this act, allowing voluntary furloughs and requiring mandatory furloughs of public employees, when necessary, is a reasonable measure to avoid disruptive mass layoffs and the elimination of positions in public employment, to preserve the public health, safety, and welfare and to continue the effective administration of important governmental functions in the interest of the people of North Carolina.

SECTION 6.6.(b) To achieve savings identified in the management flexibility reserves established in this act, State agencies may:

(1) Reduce salary-related expenditures by (i) reductions in purchased services and contractual services, (ii) reductions in force, and (iii) with the approval of the Director of the Budget, implementation of furloughs in accordance with subsections (c) through (g) of this section; and

(2) Reduce non-salary expenditures such as purchases of supplies and equipment, maintenance expenses, rental and lease expenses, and any other allowable reductions in non-salary expenditures.

SECTION 6.6.(c) Definitions. – The following definitions apply in this section:

(1) Compensation. – Base rate of compensation, not including pay for shift premiums, overtime, or other types of extraordinary pay.

(2) Essential positions. – Any position deemed by the head of an agency to be necessary to perform the critical functions of that agency to protect the health or safety of the agency's employees, students, clients, or patients of the public agency or to protect the general public.

(3) Furlough. – A temporary period of leave from employment without pay.

(4) Nonessential positions. – Any position in a public agency that is not designated as essential positions by the head of that agency.

(5) Public employee. – Any person employed (i) in the executive, legislative, or judicial branch of State government, (ii) by The University of North Carolina, (iii) by the North Carolina Community College System, or (iv) by a local school administrative unit. The term includes public officers.

(6) Public agency. – Any State agency, department, or institution; and the executive, legislative, and judicial branches of State government; The University of North Carolina; the North Carolina Community College System; and local school administrative units.

SECTION 6.6.(d) Furlough Flexibility. – For the 2009-2010 and 2010-2011 fiscal years, public agencies have management flexibility to allow voluntary furloughs and to require mandatory furloughs of public employees to generate necessary economies and efficiencies in budgeting.

SECTION 6.6.(e) Compensation and Benefits. – A period of furlough shall only affect or reduce a public employee's base salary or compensation. A period of furlough shall not affect or diminish a public employee's continuous service, length of aggregate service,

retirement service credits, anniversary date, eligibility for authorized holiday leave, longevity pay, or the accrual of vacation and sick leave. Periods of furlough shall be applied equitably to all essential and nonessential positions regardless of the funding source of the position. A furloughed public employee who is a member of:

(1) Any of the State-supported retirement plans administered by the Retirement Systems Division of the Department of the State Treasurer shall be considered in active service during any period of furlough and shall be entitled to all of the same benefits to which the employee was entitled on the workday immediately preceding the furlough. During a furlough period, the public agency shall pay both the employee and employer contributions to the Retirement Systems Division on behalf of the furloughed public employee as though that employee were in active service.

(2) The State Health Plan for Teachers and State Employees shall be considered eligible for coverage under the Plan on the same basis as on the workday immediately preceding the furlough. The employing public agency shall pay contributions on behalf of the furloughed employee as though the employee were in active service.

SECTION 6.6.(f) Policies. – The Office of State Budget and Management (OSBM) and the State Board of Education (SBE) shall each adopt policies necessary for the implementation of this section. The policies shall govern (i) the scheduling of furloughs, (ii) the amount of notice that must be given to a public employee prior to the effective date of a period of furlough, (iii) whether furloughs may be taken in increments of full days, (iv) the continued accrual of annual and sick leave, (v) treatment of part-time employees, and (vi) any other matter related to the implementation of this section. The OSBM and SBE shall provide maximum flexibility to public agencies and public employees in the scheduling of furlough days to provide public agencies the ability to effectively manage furloughs of employees employed in essential positions so as not to affect critical functions. The policies shall provide that a public employee whose normal workday exceeds eight hours per day will sustain the same proportionate reduction as a public employee who works eight hours per day. The Office of State Personnel shall provide technical assistance to OSBM, as requested, in developing a plan for the implementation of furloughs.

SECTION 6.6.(g) The OSBM and SBE shall adopt emergency rules for the implementation of this section in accordance with G.S. 150B-21.1A, except that notwithstanding G.S. 150B-21.1A(d) those emergency rules may remain in effect until the expiration of this subsection. This subsection expires June 30, 2011.

SECTION 6.6.(h) This section is effective when it becomes law.

Senate Appropriations Committee
Rules for Considering Amendments

If amendments are offered, then the following rules must be met in order to make the amendment eligible for consideration:

1. Money can only be transferred among items within the same subcommittee section.

2. Amendments where money is being transferred among items within a subcommittee must clearly identify the items/programs that are being increased and decreased.

3. Nonrecurring reductions cannot be made to fund recurring additions.

4. Amendments that spend reversions are not allowed.

5. Amendments that increase spending in the subcommittee budgets are not allowed.

6. Amendments are not allowed where funding for an item comes from statewide reserves.

7. Amendments must be in writing, the original signed, with 75 copies available for distribution

8. To be considered, a proposed amendment must have been logged in by the committee clerk by 11:00 a.m.

MINUTES

HEALTH AND HUMAN SERVICES
APPROPRIATIONS SUBCOMMITTEE

TUESDAY APRIL 7, 2009
8:00 AM
ROOM 643 LEGISLATIVE OFFICE BUILDING

The Joint Appropriations Subcommittee on Health and Human Services met Tuesday April 7, 2009 at 8:00 am in Room 643 of the Legislative Office Building. Representative Verla Insko presided. Rep. Insko called the meeting to order and introduced the Sergeant at Arms Staff and pages who would be assisting with the meeting.

The following members were present; Representative's, Verla Insko, Beverly Earle, Bob England, Jean Farmer-Butterfield, William Brisson, Justin Burr, Pearl Burris-Floyd, and Randy Stewart.. A hard copy of the roll denoting members present is attached to the minutes along with a copy of the visitor's registration and agenda sheet.

Rep. Insko recognized Pam Silberman, President of the North Carolina Institute of Medicine. Ms. Silberman presented to the committee an overview of the Task Force on Transitions for People with Intellectual and Other Development Disabilities. Rep. Insko then recognized Committee members for questions of Ms. Silberman. Following these discussions, the meeting was adjourned at 9:35 a.m. A copy of all presentations is attached to these minutes.

Representative Verla Insko
Chair

Gina Insko
Committee Assistant

ATTENDANCE

APPROPRIATIONS SUBCOMMITTEE ON HEALTH AND HUMAN SERVICES

(Name of Committee)

DATES	3-11-09	3-19-09	4-7-09	4-16-09	4-28-09	5-5-09	5-19-09	5-21-09	6-24-09						
REP. VERLA INSKO - CHAIR	X	X	X	X	X	X	X	X	X						
REP. BEVERLY EARLE - CHAIR	X		X	X	X	X	X	X							
REP. BOB ENGLAND - CHAIR	X		X	X	X	X	X	X	X						
REP. JEFF BARNHART VICE-CHAIR	X			X		X	X	X							
REP. JEAN FARMER-BUTTERFIELD VICE-CHAIR	X	X	X	X	X	X	X	X							
REP. WILLIAM BRISSON	X	X	X	X	X	X		X							
REP. JUSTIN BURR		X	X		X		X								
REP. PEARL BURRIS-FLOYD		X	X	X	X	X	X		X						
REP. NELSON DOLLAR		X			X	X	X	X							
REP. WIL NEUMANN	X	X		X	X	X	X	X	X						
REP. RANDY STEWART		X	X		X	X	X	X	X						
Sen. William Purcell	X	X													
Sen. Doug Berger	X	X													
Sen. Martin Nesbitt	X	X													
Sen. Charles Dannelly															
Sen. Blake Harris	X	X													
Sen. Debbie Clary	X	X													
Sen. James Forrester		X													
STAFF															
Melanie Bush	X	X		X	X	X	X	X							
Lee Dixon	X	X		X	X	X	X	X							
Lisa Hollowell	X	X		X	X	X	X	X							
Bruce Ball	X	X		X	X	X	X	X							

North Carolina Institute of Medicine Task Force on Transitions for People with Intellectual and Other Developmental Disabilities

Presentation to the House Appropriations Subcommittee on Health and Human Services

Pam Silberman, JD, DrPH
President & CEO
April 8, 2009

NCIOM North Carolina Institute of Medicine
shaping policy for a healthier state

Overview

- Background on the North Carolina Institute of Medicine
- Transitions for People with Developmental Disabilities

NCIOM

NC Institute of Medicine

- Quasi-state agency chartered in 1983 by the NC General Assembly to:
  - Be concerned with the health of the people of North Carolina
  - Monitor and study health matters
  - Respond authoritatively when found advisable
  - Respond to requests from outside sources for analysis and advice when this will aid in forming a basis for health policy decisions

NCGS §90-470

NCIOM

NCIOM Studies

- NCIOM studies issues at the request of:
  - North Carolina General Assembly (NCGA)
  - North Carolina state agencies
  - North Carolina foundations
  - Health professional organizations
  - NCIOM Board
- Often work in collaboration with other organizations to study health issues

NCIOM

Legislative Charge

- NCGA asked the NCIOM to convene a task force to study issues related to transitions for people with intellectual and other developmental disabilities (I/DD), including:
  - Transitions for adolescents leaving high school (including adolescents in foster care),
  - Transitions from developmental centers to other settings, and
  - Transitions for persons who live with aging parents or other aging support providers.

NCIOM

NCIOM Task Force

- Task Force co-chaired by:
  - James Bodfish, PhD, Director, Center for Development and Learning, Carolina Institute for Developmental Disabilities, UNC-CH
  - Adonis Brown, Independent Living Consultant and Disability Peer Advocate, EnVisioned Independent Living
  - Leza Wainwright, Director, Division of Mental Health, Developmental Disabilities and Substance Abuse Services
- The Task Force included 39 additional Task Force and Steering Committee members.
- The Task Force met 6 times.

NCIOM

Intellectual and Other Developmental Disabilities

- An intellectual or other developmental disability is:
  - A severe, chronic disability which is attributable to mental or physical impairment which is likely to continue indefinitely,
  - Manifests before age 22, and
  - Leads to substantial functional limitations in at least three of the following: self-care, expressive language, learning, mobility, self-direction, capacity for independent living or economic self-sufficiency.
- In NC, traumatic brain injury is considered an I/DD regardless of the age when it occurs.

NCIOM

People with I/DD in NC

- More than 100,000 people in NC have an I/DD (national estimates place I/DD at 1.5% of the population).
- Because of the functional limitations, people with I/DD may need services and supports throughout their lives.
- The types of services and supports will vary depending on the specific needs and desires of the individual with I/DD.

NCIOM

System is Complex and Fragmented

- Many different agencies are involved in financing, licensing, monitoring, and providing services and supports to people with I/DD.
- No agency is charged with overseeing all of the services provided to people with I/DD or of making sure that limited resources are provided as equitably or cost-effectively as possible.

NCIOM

Organization of the Report

- The Task Force report first highlights transition issues that are unique to specific types of transitions:
  - Transitions from school to post-secondary education, work or community involvement,
  - Transitions for foster children,
  - Transitions from public or private ICFs-MR to community placements, and
  - Transitions when older parents or family members can no longer care for the person with I/DD.
- Most of the transition issues cut across these areas, so are discussed in a cross-cutting chapter.

NCIOM

Transitions from School to Post-Secondary or Community Settings

- The federal Individuals with Disabilities Education Act (IDEA) mandates that schools develop Individualized Education Programs (IEPs) to meet the special educational needs of students with disabilities.
- Schools are required to begin transition planning when child turns age 14.
  - Transition plans should include measurable post-secondary goals related to training, education, employment and independent living skills.

NCIOM

Transitions from School to Post-Secondary or Community Settings

- Only 49.4% of students with *disabilities* graduated in 4 years from high school in North Carolina (2007).*
  - For schools, disabilities includes students with I/DD but also includes other types of "disabilities".
  - Graduation rates vary from a low of 45% to a high of 75% in some high schools.
- Only 50% of students with intellectual disabilities were either enrolled in post-secondary school or competitively employed one year after leaving high school.
  - DPI does not currently collect data on what happens to the other 50% who were not working or in post-secondary schools.

NCIOM

***53.6% of students graduated in 5 years.**

Rec. 3.1. Improving Educational Outcomes

- The State Board of Education (SBE) should examine existing school policies to improve the educational outcomes for children with intellectual and other developmental disabilities (I/DD).

NCIOM

Rec. 3.2. Measuring Outcomes

- The Department of Public Instruction (DPI) should add additional questions to the school outcome data collection survey for students with disabilities to assess what students are doing after leaving schools and what skills could help them meaningfully engage in their communities.

NCIOM

Transitions from School to Post-Secondary or Community Settings

- Students who learn functional life skills outside the classroom are more likely to learn how to live independently.
  - Functional life skills include skills such as budgeting, banking, mobility and safety.
- Strong interagency collaboration has also been shown to help students transition from school to post-secondary work and education.

NCIOM

Rec. 3.3. Increasing Life-Skills Component of IEP Transition Plans

- **The North Carolina General Assembly should appropriate $6 million in recurring funds to the Department of Public Instruction to support community-based instruction for students with disabilities to help meet the life skills components of students' IEP transition plans.**

NCIOM

Rec. 3.4. Improving Interagency Transition Coordination

- **The North Carolina General Assembly (NCGA) should promote interagency coordination before a child transitions out of secondary schools, and should provide assistance to families and parents in helping them plan for the transition.**

NCIOM

Transitions from School to Post-Secondary or Community Settings

- Some students with I/DD need assistive technology (AT) to assist in learning.
  - AT can compensate for communication, mobility or functional barriers that impair the students' educational achievement.
  - There is some evidence to suggest that the AT needs of students are not being met in schools, but further information is needed.

NCIOM

Rec. 3.5. Use of Assistive Technology in Schools

- **The Department of Public Instruction (DPI) should contract with an independent organization that has expertise on assistive technology (AT) to conduct a study to determine whether the AT needs of students are being met. DPI should report its findings and plans no later than October 2010.**
  - **NCGA should appropriate $60,000 in non-recurring funds to DPI to conduct the study.**

NCIOM

Transitions from School to Post-Secondary or Community Settings

- Community colleges offer compensatory education for students with intellectual disabilities (ID) to help them learn to function as independently as possible.
  - Compensatory education does *not* include vocational or work related skills.
- Students with ID have few other opportunities for post-secondary education in community colleges, colleges or universities.
  - A new program, *Beyond Academics*, is being developed at UNC-G for students with ID.

NCIOM

Rec. 3.6. Expanding Community College Options (PRIORITY)

- The North Carolina Community College System (NCCCS) should contract for an independent evaluation of educational and vocational programs available to people with I/DD.
  - The study should identify best practices of providing meaningful post-secondary educational opportunities to people with I/DD in an integrated community setting.
  - NCCCS should use the information from this study to develop a plan to provide more meaningful educational and vocational opportunities to people with I/DD.

NCIOM

Rec. 3.7. Expanding Post-Secondary College Options

- The University of North Carolina System should expand inclusive post-secondary education programs for people with intellectual and other developmental disabilities.
- NCGS should appropriate $460,000 each year of the biennium to support the continued development and evaluation of *Beyond Academics*, and should direct DMHDDSAS and DMA to set aside 8 CAP-MR/DD slots to support post-secondary education for students with ID at UNC-Greensboro.

NCIOM

Rec. 3.8. Collaboration with NCCCS and UNC System

- **The University of North Carolina System and North Carolina Community College System should work together to expand the availability of post-secondary educational opportunities for students with I/DD, and should work with DMHDDSAS and DMA to explore funding opportunities to support students with I/DD in post-secondary education.**

NCIOM

Foster Care

- National studies suggest that 20-60% of youth in foster care have I/DD.
  - In NC, DSS only estimated that 11% of foster children have I/DD. The Task Force believed this was an underestimate.
  - Foster children have fewer family members to assist them when they leave the foster care system.
  - If foster children with I/DD are not properly identified, they won't be linked to the LME system that could help them transition when they age out of foster care.

NCIOM

Rec. 3.9: Foster Care

- **DSS should work with the DMHDDSAS to identify an assessment process to ensure children in foster care receive an appropriate assessment to determine if they have any intellectual and other developmental disabilities or mental health problems.**
- **Children who have been determined to have mental health problems or I/DD should be linked into the Local Management Entity system.**

NCIOM

Transition from ICFs-MR to Integrated Community Settings

- When offered appropriate supports and services, people with I/DD and their families prefer smaller community settings to larger settings.
- People with I/DD experience better outcomes when living in the community.
- Approximately 10% of North Carolinians with I/DD live in state developmental centers or large private ICFs-MR (with 16 or more beds).

NCIOM

Transition from ICFs-MR to Integrated Community Settings

- Costs of services and supports are highest in state developmental centers, then private ICFs-MR. Costs are lower in CAP-MR/DD.
  - State DD centers
    - Average cost = $156,000/person (all inclusive cost). 1,600 people served (2008). Average age is 51.
  - Private ICFs-MR
    - Average cost = $94,000 (includes residential, DD services, and other Medicaid costs). 2,600 people living in private ICFs-MR (2008). Average age is 38.
  - CAP-MR/DD
    - Average cost = $60,000 (includes DD services, other Medicaid costs, and any state-only funds). 10,000 people served (2008). Average age is 38.
  - *Note: To qualify for any of these services, the person's condition needs to meet ICF-MR level of care.*

NCIOM

Transition from ICFs-MR to Integrated Community Settings

- Nationally, there has been a large decline in the percentage of people living in large residential settings.
  - The decline is due to personal preferences for community living, expansion of Medicaid home and community based services, US Supreme Court decision in *Olmstead vs. L.C.*, and higher costs states pay to support people in large public and private ICFs-MR.
- North Carolina has not been as successful as many other states in transitioning people from large residential settings into integrated community settings.

NCIOM

Transition from ICFs-MR to Integrated Community Settings

- States that have been successful in moving people from state developmental centers or private ICFs-MR to community settings:
  - Have strong knowledgeable leadership,
  - Focus first on building community capacity rather than closing facilities,
  - Develop systems of open communication with staff and families, and
  - Ensure transition planning is person-centered.

NCIOM

Rec 4.1: Review of Placements in Public and Private ICFs-MR

- **Each developmental center and private ICF-MR should have an admissions review committee to review any general admission placement before entry into the state developmental center or private ICF-MR.**
- **The North Carolina General Assembly should provide DMHDDSAS with the authority to use existing state funds in a more flexible fashion to support transitions or to avoid placements in state developmental centers or private ICFs-MR.**

NCIOM

Transitions for People Living with Aging Family Members

- Nationally, estimates show that almost 480,000 adults with I/DD live with parents, age 60 or older, as their primary support provider.
  - In the past, people with I/DD had significantly lower life expectancies. Now, many adults with I/DD can expect to live as long as the general population.
  - Parents of adults with I/DD have concerns about what will happen to their children when they are gone. Despite this concern, many parents do not make plans for the future care of their adult child.

NCIOM

Transitions for People Living with Aging Family Members

- Some families have never been connected to the developmental disability system and may not know where to seek help.
- The state needs to do a better job of outreach to families of individuals with I/DD to provide them with information about available services and supports, and also help link older adults with I/DD into the aging network.

NCIOM

Rec. 5.1. Future Planning

- Local Management Entities (LMEs) and DMHDDSAS should help families plan for the future so that the family and individual with I/DD's wishes are understood before a crisis occurs.
- DMHDDSAS and LMEs should develop longer-term emergency housing and support options for people with I/DD who need emergency services because of the death or precipitous illness of a caregiver.

NCIOM

Rec. 5.2. Outreach to Older Adults with I/DD

- Local Management Entities (LMEs) should work with appropriate community organizations to conduct outreach to identify families of individuals with intellectual and other developmental disabilities (I/DD) who are not currently connected to the I/DD system and ensure that older adults with I/DD have appropriate access to the range of services and supports offered by those organizations.

NCIOM

Cross Cutting Issues and Recommendations

- Cross cutting recommendations are organized into 5 broad areas:
  - Leadership
  - Financing
  - Case Management
  - Community Capacity
  - Direct Support Workers

NCIOM

Cross Cutting: Leadership

- Professional leadership, with expertise specific to I/DD, is needed at both the state and local levels.
  - Leadership at the state level needed to develop policies and practices to support transitions.
  - Leadership at the local level needed to identify gaps in services and supports and build community capacity.
- State needs adequate data to identify service gaps, examine quality of services, and monitor progress in achieving goals.

NCIOM

Rec. 6.1. Statewide Transitions Plan

- DMHDDSAS should work with LMEs, DMA, other appropriate agencies, people with I/DD and their families, other providers, advocates and others to develop a statewide transition plan.
  - The plan should identify the community services, supports, and funding needed to support successful transitions.
  - DMHDDSAS should report on progress to the Legislative Oversight Commission on Mental Health, Developmental Disabilities and Substance Abuse Services no later than October 2010.

NCIOM

Rec. 6.2. Transition Expertise at State and Local Levels (PRIORITY)

- The North Carolina General Assembly should appropriate:
  - $222,000 in recurring funds to DMHDDSAS to hire three developmental disability transitions specialists, and
  - $2,660,000 in recurring funds to distribute to local management entities (LMEs) on a per capita basis to support developmental disability transition expertise at the local LMEs.
  - Transition staff will have the responsibility to develop systems change at the state and local levels to support successful transitions for people with I/DD.

NCIOM

Rec. 6.3. Enhanced Data Collection (PRIORITY)

- **DMHDDSAS should work with the Governor's office to ensure that the needs of people with MHDDSAS are included as the state moves to develop electronic health records.**
- **DMHDDSAS should create a computerized waiting list system to capture information on the numbers of adults and children who are waiting for services, and the types of services needed. DMHDDSAS should also collect other information for quality improvement purposes.**
- **The North Carolina General Assembly should appropriate $72,765 in recurring funds to DMHDDSAS to support one new position to manage and analyze data, and assist with wait list coordination and management.**

NCIOM

Cross Cutting: Financing

- One of the biggest challenges the state faces is how to use its limited resources in the most equitable way possible.
  - People with I/DD with similar functional abilities and concomitant needs for support often receive different levels of funding.
- Some states have begun to use assessment instruments to determine the relative intensity of support needs.
  - Data from these assessments can be used to set budget caps or tiered funding, establishing appropriate provider payments, and identifying overall system needs.

NCIOM

Cross Cutting: Financing

- North Carolina is testing the Supports Intensity Scale (SIS™) as the standardized supports assessment instrument.
- North Carolina can use this assessment information, along with other professional assessments and information from the Person Centered Plan to establish an individual resource allocation.
  - Can be used to support consumer directed budgets
- LMEs also need access to flexible funds to support transitions.

NCIOM

Rec. 6.4. Standardized Assessment Instrument (PRIORITY)

- **DMHDDSAS should adopt a validated and reliable assessment instrument to determine relative intensity of needs for individuals with I/DD.**
  - **Should be administered by independent assessors**
- **The assessment should be used to assist in the development of the person centered plan, for statewide and local planning purposes, and in determining an individual resource allocation.**
- **NCGA should appropriate $463,924 to DMHDDSAS to continue to test the Supports Intensity Scale™ (SIS) for these purposes.**

NCIOM

Rec. 6.5. Consumer Directed Budgets

- The Task Force supports the implementation of a consumer-directed budgeting option through the approved NC Supports Waiver beginning in November 2009.
- The Division of Mental Health, Developmental Disabilities and Substance Abuse Services should systematically move to expand consumer-directed budgeting to other people with I/DD who have more significant needs.

NCIOM

Rec. 6.6. Flexible Funding

- DMHDDSAS should work with LMEs to examine the need for flexible funding to support transitions.
- NCGA should give DMHDDSAS the authority to review and approve use of LME funds above 5% if being used to support specific transition plans.

NCIOM

Cross Cutting: Case Management

- Case managers help people with I/DD identify appropriate medical, social, educational, vocational and other services; and monitor the services to ensure they meet the person's goals.
  - Good case management is particularly important during transitions.
  - North Carolina only pays for 60 days for case management services prior to leaving a state developmental center or private ICF-MR, CMS allows 180 days of case management services to develop transition plan.
  - North Carolina does not require that case managers complete specific training or demonstrate certain competencies.

NCIOM

Rec. 6.7. Improve Case Management (PRIORITY)

- **DMHDDSAS, in collaboration with DMA and other stakeholders, should establish clear accountability standards for case managers.**
  - **The standards should be designed to improve outcomes for people with I/DD who are served and should help to improve retention of qualified case management staff.**
  - **DMA should pay for up to 180 days of case management services for individuals leaving DD centers and private ICFs-MR.**
  - **DMHDDSAS should report its findings and recommendations to the Legislative Oversight Commission on MHDDSAS no later than October 2010.**

NCIOM

Community Capacity

- Individuals with I/DD need access to appropriate services and supports to help them live as independently as possible in the community.
  - The range of necessary services and supports will vary, depending on the strengths and outstanding needs and preferences of each individual and any available natural supports.
  - A person's need for services and supports may change or intensify during transition periods.

NCIOM

Community Capacity: Crisis Services

- Transition periods can be stressful to anyone. This may be more difficult for people with I/DD who may not fully understand the changes in their life.
  - Crisis services can be particularly important during transitions.
  - The North Carolina General Assembly created the Systemic, Therapeutic Assessment, Respite and Treatment (START) program (2008).
  - START provides community-based crisis prevention and intervention services to *adults* with I/DD and co-occurring mental illness and/or behavioral health needs.
  - Further expansion of these services for adults and creation of similar crisis services for children is needed.

NCIOM

Rec. 6.8. Expansion of Crisis Services

- **The NCGA should appropriate $9.4 million in recurring funds to DMHDDSAS to fully fund existing and double the availability of regional START program teams and crisis beds for adults with I/DD.**
- **DMHDDSAS should do a gap analysis to determine the need for crisis services for children.**
  - **DMHDDSAS should present the findings, recommendations and any costs to the Legislative Oversight Commission on MHDDSAS no later than April 1, 2010.**

NCIOM

Community Capacity: Housing

- People with I/DD need access to affordable and accessible housing, integrated into the community, which promotes their maximum independence.
  - Two-thirds of North Carolinians with I/DD reported that they had no choice in where or with whom they lived.
  - One of the barriers that prevents people from leaving state DD centers or private ICFs-MR is the lack of appropriate housing in the community.
    - Task Force members believed that some people with I/DD are being inappropriately housed in Assisted Living/Adult Care Homes because of lack of other housing options in the community
  - People with I/DD may also need help subsidizing the cost of housing.
    - Medicaid pays for housing as part of ICF-MR payment, but not for community housing.

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Residential Settings for People Receiving Residential Supports

Most People with I/DD Who Are Receiving Residential Supports Are Living in Smaller Group Settings with 6 or Fewer Individuals (NC, US, 2004)

	All residents All settings All sizes	All residents, all settings, 1-6 res.	All settings of 1-6 as percent of all residents	Percent living with host family	Percent living in own home	Percent living in agency home (includes small ICFs-MR)
NC	11,861	8,459	71.3%	(10.9%)	(26.3%)	(62.9%)
US	419,965	294,559	70.1%	(13.5%)	(36.4%)	(50.1%)

Source: Kathryn Coucouvanis, Robert Prouty, K. Charlie Lakin. Own Home and Host Family Options Growing Rapidly as More than 70% of Residential Service Recipients with ID/DD in 2004 Live in Settings of 6 or Fewer. Mental Retardation. August 2005;43(4):307-309.

NCIOM

Rec. 6.9. Expand Housing Options

- **DMHDDSAS should work with the NC Housing Finance Agency and other appropriate groups to examine the availability and adequacy of permanent supportive housing, housing subsidies, and support services, and barriers which prevent the development of additional housing options.**
- **The NCGA should appropriate $73,765 in recurring funds in SFY 2010 and SFY 2011 to the DMHDDSAS to support one position dedicated to housing.**
  - **DMHDDSAS will report its findings and any recommendations to the Legislative Oversight Commission on Mental Health, Developmental Disabilities and Substance Abuse Services no later than January 2010.**

NCIOM

Rec. 6.10. Expand Availability of Shared Living Arrangements

- DMHDDSAS should work with LMEs and other groups to develop a plan to promote shared living arrangements that promote greater self-direction and more inclusive housing.

NCIOM

Rec. 6.11. Assisted Living Screening

- The Division of Mental Health, Developmental Disabilities and Substance Abuse Services (DMHDDSAS), working with other agencies and providers, should identify or develop an assessment process for use in assistive living. The assessment should be conducted by independent assessors to identify people with I/DD, and to determine whether placement in an assistive living facility is the best option to meet the unique needs of the individual and not based solely on the person's developmental disability.

NCIOM

Rec. 6.12. State County Special Assistance

- **The NCGS should amend NCGS §108A-47 to allow State/County Special Assistance (SA) In-Home funds to be used to pay the same maximum payment rates as would be provided in licensed facilities to support otherwise eligible individuals in their own homes, alternative family living or host families.**

NCIOM

Community Capacity: Employment Services

- North Carolina has adopted an "employment first" philosophy based on the premise that adults with I/DD want the opportunity to choose their jobs based on their interests and talents.
- The Division of Vocational Rehabilitation (DVR) provides "Supportive Employment" to help people with more significant disabilities find and maintain a job.
  - Supportive employment provides more intensive job skill training, social skills training, and regular follow-up with employers, the family, the person with I/DD, or others to stabilize the job placement.
  - Adults with I/DD may need longer-term employment supports to help them maintain their job.

NCIOM

Rec. 6.13. Employment First (PRIORITY)

- **DMHDDSAS, LMEs and DVR should work together to expand employment opportunities to more people with intellectual and other developmental disabilities (I/DD).**
- **DMHDDSAS and LMEs should ensure that the funding available to support long term vocational supports is available and used on a consistent basis throughout the state.**

NCIOM

Community Capacity: Health Care

- Many people with I/DD experience barriers that prevent them from accessing needed health services.
  - People with I/DD, their families, and advocates report shortages of health care professionals who are willing to treat patients with I/DD.
  - Few health care professionals receive the training that prepares them to address some of the special needs of people with developmental disabilities, particularly those with significant intellectual disabilities.
  - Task Force believed that CCNC may be an appropriate way to increase the quality of health care services provided to people with I/DD.

NCIOM

Rec. 6.14. Training for Health Professionals

- The Area Health Education Centers (AHEC) program, health professional schools, and DMHDDSAS should work collaboratively with other groups and people with I/DD to enhance the training of health professionals in providing health care services for people with I/DD.
  - AHEC should expand clinical and residency rotations and should help support a mini-fellowship in developmental medicine (MAHEC).
  - NCGA should appropriate $150,000 annually to AHEC to support these training opportunities.

NCIOM

Rec. 6.15. CCNC Pilot for People with I/DD

- DMA should examine existing utilization data to determine whether Medicaid recipients with I/DD can access medical, dental, therapy, psychological or other behavioral services.
  - If DMA determines that Medicaid recipients with I/DD, have barriers accessing medical, dental, therapy, psychological or other behavioral services, then DMA should work with DMHDDSAS and other provider groups to identify the barriers and options to improve access to care.
- North Carolina Community Care Inc. should work with DMA and DMHDDSAS to explore the possibility of creating a care management model designed to meet the special needs of people with I/DD.

NCIOM

Direct Support Workers

- Aside from the person's family, direct support workers (DSW) are the people who provide most of the day-to-day support for people with significant I/DD.
  - DSW have a broad range of responsibilities, and are employed in multiple settings.
  - Unlike certified nurse aides in the aging system, DSWs are not required to demonstrate any competencies before working with people with I/DD.

NCIOM

Rec. 6.16. Improving Skills and Competencies of DSWs (PRIORITY)

- **DMHDDSAS should work with LMEs and other appropriate organizations to develop and implement a plan to improve the competencies and skills of the direct support workers (DSW).**
  - **The plan should also include strategies to improve retention of DSWs.**
  - **DMHDDSAS should report its findings and recommendations, including associated costs to implement the recommendations, to the Legislative Oversight Commission on MHDDSAS no later than October 2010.**

NCIOM

Conclusion

- The state needs leadership at the state and LME level with expertise in I/DD to facilitate transitions.
- The educational system (elementary, middle, secondary and post-secondary education) should be improved to better prepare students with I/DD for independent living and employment opportunities.
- North Carolina can learn from other states about how to successfully transition people from large public or private ICFs-MR.
  - To be successful, the state needs to develop community capacity.

NCIOM

Conclusion

- The state should do more to identify people with I/DD in the foster care system, or living at home with aging family members to ensure that they get linked into the DMHDDSAS system.
- The state should implement a standardized assessment instrument to determine level of supports needs.
  - Can be used to develop individual resource allocations, more accurate payments to providers, and in planning.
  - Will ensure that limited state funds are used equitably and cost-effectively.

NCIOM

Conclusion

- People with I/DD will need access to a range of appropriate services and supports to help them live independently in the community.
  - Critical services include, but are not limited to: case management, crisis services, housing, vocational, assistive technology, and health care (including medical, dental, behavioral).
- People with I/DD need a skilled workforce, including case managers, direct support workers, and health care professionals who have specific expertise working with people with I/DD.

NCIOM

For More Information

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Jennifer Hoffmann	OSBM
David Mc	NC Fire
Carol Donin	DMH/DD/SAS
Christina Carter	DMH/DD/SAS
Jennifer Mahan	NHANC / The Coalition
David Boaz	NWC
C C Cochran	ESCP
Jill Hinton	
Maureen Merrell	Autism Society NC
ALISON DAVIS	PARENT

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Janet Shamlian	Judges Consulting
Annaliese Dolph	DRNC
Larry Swabe	NC Council on DD
Jenna Hensley	Fred Banks
Vicki Smith	DRNC
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Dennis Streets	NC - Div. of Aging + Adult services

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MINUTES

HEALTH AND HUMAN SERVICES APPROPRIATIONS SUBCOMMITTEE

THURSDAY APRIL 16, 2009
8:30AM
ROOM 643 LEGISLATIVE OFFICE BUILDING

The Joint Appropriations Subcommittee on Health and Human Services met Thursday April 16, 2009 at 8:30 am in Room 643 of the Legislative Office Building. Representative Verla Insko presided. Rep. Insko called the meeting to order and introduced the Sergeant at Arms Staff and pages who would be assisting with the meeting.

The following members were present; Representative's, Verla Insko, Beverly Earle, Bob England, Jeff Barnhart, Jean Farmer-Butterfield, William Brisson, Pearl Burris-Floyd and Wil Neumann. Staff members from the Fiscal Research Division present were Melanie Bush, Lee Dixon, Lisa Hollowell, and Bryce Ball. A hard copy of the roll denoting members present is attached to the minutes along with a copy of the visitor's registration and agenda sheet.

Rep. Insko recognized Staff members to present the Senate Budget Special Provision. Rep. Insko then recognized committee members for questions of staff and the Department of Health and Human Services. Rep. Insko recognized Stephanie Fangle, President of Smart Start to follow up on questions of the committee. Following these discussions, the meeting was adjourned at 10:50 a.m. A copy of all presentations is attached to these minutes.

Representative Verla Insko
Chair

Gina Insko
Committee Assistant

House Appropriations Subcommittee for Health and Human Services

Senate Budget
Special Provisions

Fiscal Research Division
April 16, 2009

FISCAL CRISIS/FURLOUGH FLEXIBILITY

SECTION 6.6.(a) Findings. – The General Assembly finds that:

(1) The extreme fiscal crisis affecting North Carolina's economy, the national economy, and global economic markets has substantially reduced the State's revenue projections for the 2009-2011 biennium.

(2) Economies in State expenditures and maximized efficiencies in State operations must be effected immediately and systematically in order to meet the compelling State interest of enacting a balanced budget in accordance with the State Constitution and to protect the interests of the people of North Carolina.

(3) Given the broad scope and depth of other budget reduction and efficiency measures required by this act, allowing voluntary furloughs and requiring mandatory furloughs of public employees, when necessary, is a reasonable measure to avoid disruptive mass layoffs and the elimination of positions in public employment, to preserve the public health, safety, and welfare and to continue the effective administration of important governmental functions in the interest of the people of North Carolina.

SECTION 6.6.(b) To achieve savings identified in the management flexibility reserves established in this act, State agencies may:

(1) Reduce salary-related expenditures by (i) reductions in purchased services and contractual services, (ii) reductions in force, and (iii) with the approval of the Director of the Budget, implementation of furloughs in accordance with subsections (c) through (g) of this section; and

(2) Reduce non-salary expenditures such as purchases of supplies and equipment, maintenance expenses, rental and lease expenses, and any other allowable reductions in non-salary expenditures.

SECTION 6.6.(c) Definitions. – The following definitions apply in this section:

(1) Compensation. – Base rate of compensation, not including pay for shift premiums, overtime, or other types of extraordinary pay.

(2) Essential positions. – Any position deemed by the head of an agency to be necessary to perform the critical functions of that agency to protect the health or safety of the agency's employees, students, clients, or patients of the public agency or to protect the general public.

(3) Furlough. – A temporary period of leave from employment without pay.

(4) Nonessential positions. – Any position in a public agency that is not designated as essential positions by the head of that agency.

(5) Public employee. – Any person employed (i) in the executive, legislative, or judicial branch of State government, (ii) by The University of North Carolina, (iii) by the North Carolina Community College System, or (iv) by a local school administrative unit. The term includes public officers.

(6) Public agency. – Any State agency, department, or institution; and the executive, legislative, and judicial branches of State government; The University of North Carolina; the North Carolina Community College System; and local school administrative units.

SECTION 6.6.(d) Furlough Flexibility. – For the 2009-2010 and 2010-2011 fiscal years, public agencies have management flexibility to allow voluntary furloughs and to require mandatory furloughs of public employees to generate necessary economies and efficiencies in budgeting.

SECTION 6.6.(e) Compensation and Benefits. – A period of furlough shall only affect or reduce a public employee's base salary or compensation. A period of furlough shall not affect or diminish a public employee's continuous service, length of aggregate service, retirement service credits, anniversary date, eligibility for authorized holiday leave, longevity pay, or the accrual of vacation and sick leave. Periods of furlough shall be applied equitably to all essential and nonessential positions regardless of the funding source of the position. A furloughed public employee who is a member of:

(1) Any of the State-supported retirement plans administered by the Retirement Systems Division of the Department of the State Treasurer shall be considered in active service during any period of furlough and shall be entitled to all of the same benefits to which the employee was entitled on the workday immediately preceding the furlough. During a furlough period, the public agency shall pay both the employee and employer contributions to the Retirement Systems Division on behalf of the furloughed public employee as though that employee were in active service.

(2) The State Health Plan for Teachers and State Employees shall be considered eligible for coverage under the Plan on the same basis as on the workday immediately preceding the furlough. The employing public agency shall pay contributions on behalf of the furloughed employee as though the employee were in active service.

SECTION 6.6.(f) Policies. – The Office of State Budget and Management (OSBM) and the State Board of Education (SBE) shall each adopt policies necessary for the implementation of this section. The policies shall govern (i) the scheduling of furloughs, (ii) the amount of notice that must be given to a public employee prior to the effective date of a period of furlough, (iii) whether furloughs may be taken in increments of full days, (iv) the continued accrual of annual and sick leave, (v) treatment of part-time employees, and (vi) any other matter related to the implementation of this section. The OSBM and SBE shall provide maximum flexibility to public agencies and public employees in the scheduling of furlough days to provide public agencies the ability to effectively manage furloughs of employees employed in essential positions so as not to affect critical functions. The policies shall provide that a public employee whose normal workday exceeds eight hours per day will sustain the same proportionate reduction as a public employee who works eight hours per day. The Office of State Personnel shall provide technical assistance to OSBM, as requested, in developing a plan for the implementation of furloughs.

SECTION 6.6.(g) The OSBM and SBE shall adopt emergency rules for the implementation of this section in accordance with G.S. 150B-21.1A, except that

notwithstanding G.S. 150B-21.1A(d) those emergency rules may remain in effect until the expiration of this subsection. This subsection expires June 30, 2011.

SECTION 6.6.(h) Subsection (b) of this section is effective July 1, 2009. The remainder of this section is effective when it becomes law.

PART X. DEPARTMENT OF HEALTH AND HUMAN SERVICES

CHILD CARE SUBSIDY RATES

SECTION 10.1.(a) The maximum gross annual income for initial eligibility, adjusted biennially, for subsidized child care services shall be seventy-five percent (75%) of the State median income, adjusted for family size.

SECTION 10.1.(b) Fees for families who are required to share in the cost of care shall be established based on a percent of gross family income and adjusted for family size. Fees shall be determined as follows:

FAMILY SIZE	PERCENT OF GROSS FAMILY INCOME
1-3	10%
4-5	9%
6 or more	8%.

SECTION 10.1.(c) Payments for the purchase of child care services for low-income children shall be in accordance with the following requirements:

(1) Religious-sponsored child care facilities operating pursuant to G.S. 110-106 and licensed child care centers and homes that meet the minimum licensing standards that are participating in the subsidized child care program shall be paid the one-star county market rate or the rate they charge privately paying parents, whichever is lower.

(2) Licensed child care centers and homes with two or more stars shall receive the market rate for that rated license level for that age group or the rate they charge privately paying parents, whichever is lower.

(3) Nonlicensed homes shall receive fifty percent (50%) of the county market rate or the rate they charge privately paying parents, whichever is lower.

(4) Maximum payment rates shall also be calculated periodically by the Division of Child Development for transportation to and from child care provided by the child care provider, individual transporter, or transportation agency, and for fees charged by providers to parents. These payment rates shall be based upon information collected by market rate surveys.

SECTION 10.1.(d) Provisions of payment rates for child care providers in counties that do not have at least 50 children in each age group for center-based and home-based care are as follows:

(1) Except as applicable in subdivision (2) of this subsection, payment rates shall be set at the statewide or regional market rate for licensed child care centers and homes.

(2) If it can be demonstrated that the application of the statewide or regional market rate to a county with fewer than 50 children in each age group is lower than the county market rate and would inhibit the ability of the county to purchase child care for low-income children, then the county market rate may be applied.

SECTION 10.1.(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 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.

SECTION 10.1.(f) Facilities licensed pursuant to Article 7 of Chapter 110 of the General Statutes and facilities operated pursuant to G.S. 110-106 may participate in the program that provides for the purchase of care in child care facilities for minor children of needy families. No separate licensing requirements shall be used to select facilities to

participate. In addition, child care facilities shall be required to meet any additional applicable requirements of federal law or regulations. Child care arrangements exempt from State regulation pursuant to Article 7 of Chapter 110 of the General Statutes shall meet the requirements established by other State law and by the Social Services Commission.

County departments of social services or other local contracting agencies shall not use a provider's failure to comply with requirements in addition to those specified in this subsection as a condition for reducing the provider's subsidized child care rate.

SECTION 10.1.(g) Payment for subsidized child care services provided with Work First Block Grant funds shall comply with all regulations and policies issued by the Division of Child Development for the subsidized child care program.

SECTION 10.1.(h) Noncitizen families who reside in this State legally shall be eligible for child care subsidies if all other conditions of eligibility are met. If all other conditions of eligibility are met, noncitizen families who reside in this State illegally shall be eligible for child care subsidies only if at least one of the following conditions is met:

(1) The child for whom a child care subsidy is sought is receiving child protective services or foster care services.

(2) The child for whom a child care subsidy is sought is developmentally delayed or at risk of being developmentally delayed.

(3) The child for whom a child care subsidy is sought is a citizen of the United States.

CHILD CARE ALLOCATION FORMULA

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

(1) Funds shall be allocated to a county based upon the projected cost of serving children under age 11 in families with all parents working who earn less than seventy-five percent (75%) of the State median income.

(2) No county's allocation shall be less than ninety percent (90%) of its State fiscal year 2001-2002 initial child care subsidy allocation.

SECTION 10.2.(b) The Department of Health and Human Services may reallocate unused child care subsidy voucher funds in order to meet the child care needs of low-income families. Any reallocation of funds shall be based upon the expenditures of all child care subsidy voucher funding, including Smart Start funds, within a county.

SECTION 10.2.(c) Notwithstanding subsection (a) of this section, the Department of Health and Human Services shall allocate up to twenty million dollars ($20,000,000) in federal block grant funds and State funds appropriated for fiscal years 2009-2010 and 2010-2011 for child care services. These funds shall be allocated to prevent termination of child care services. Funds appropriated for specific purposes, including market rate adjustments, may also be allocated by the Department separately from the allocation formula described in subsection (a) of this section.

CHILD CARE FUNDS MATCHING REQUIREMENT

SECTION 10.3. No local matching funds may be required by the Department of Health and Human Services as a condition of any locality's receiving its initial allocation of child care funds appropriated by this act unless federal law requires a match. 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 percent (20%) 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).

FACILITATE AND EXPEDITE USE OF CHILD CARE SUBSIDY FUNDS

SECTION 10.4. The Division of Child Development of the Department of Health and Human Services shall adopt temporary policies that facilitate and expedite the prudent expenditure of child care subsidy funds. These policies will address the following:

(1) Permitting the local purchasing agencies to issue time-limited vouchers to assist counties in managing onetime, nonrecurring subsidy funding.

(2) Extending the current 30/60 day job search policy to six months when a recipient experiences a loss of employment.

(3) Providing an upfront job search period of six months for former recipients who have lost employment since October 1, 2008.

(4) Providing a job search period of six months for recipients that complete school and are entering the job market.

(5) Notwithstanding any other provision of law, extending the 24-month education time limit for an additional 12 months for a child care recipient who has lost a job since October 1, 2008, or otherwise needs additional training to enhance his or her marketable skills for job placement due to the economic downturn and who has depleted his or her 24-month allowable education time.

(6) Lowering the number of hours a parent must be working in order to be eligible for subsidy to assist parents who are continuing to work but at reduced hours.

CHILD CARE REVOLVING LOAN

SECTION 10.5. Notwithstanding any law to the contrary, funds budgeted for the Child Care Revolving Loan Fund may be transferred to and invested by the financial institution contracted to operate the Fund. The principal and any income to the Fund may be used to make loans, reduce loan interest to borrowers, serve as collateral for borrowers, pay the contractor's cost of operating the Fund, or pay the Department's cost of administering the program.

CHILD CARE MARKET RATE ADJUSTMENTS

SECTION 10.6. Not later than October 1, 2009, the Department shall implement an adjustment to child care market rates, by region, based upon the 2009 Child Care Market Rate Study.

EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES ENHANCEMENTS

SECTION 10.7.(a) Administrative costs shall be equivalent to, on an average statewide basis for all local partnerships, not more than eight percent (8%) of the total statewide allocation to all local partnerships. For purposes of this subsection, administrative costs shall include costs associated with partnership oversight, business and financial management, general accounting, human resources, budgeting, purchasing, contracting, and information systems management.

SECTION 10.7.(b) The North Carolina Partnership for Children, Inc., and all local partnerships shall use competitive bidding practices in contracting for goods and services on contract amounts as follows:

(1) For amounts of five thousand dollars ($5,000) or less, the procedures specified by a written policy to be developed by the Board of Directors of the North Carolina Partnership for Children, Inc.
(2) For amounts greater than five thousand dollars ($5,000), but less than fifteen thousand dollars ($15,000), three written quotes.
(3) For amounts of fifteen thousand dollars ($15,000) or more, but less than forty thousand dollars ($40,000), a request for proposal process.
(4) For amounts of forty thousand dollars ($40,000) or more, a request for proposal process and advertising in a major newspaper.

SECTION 10.7.(c) The North Carolina Partnership for Children, Inc., and all local partnerships shall, in the aggregate, be required to match no less than fifty percent (50%) of the total amount budgeted for the program in each fiscal year of the biennium as follows: contributions of cash equal to at least fifteen percent (15%) and in-kind donated resources equal to no more than five percent (5%) for a total match requirement of twenty percent (20%) for each fiscal year. The North Carolina Partnership for Children, Inc., may carry forward any amount in excess of the required match for a fiscal year in order to meet the match requirement of the succeeding fiscal year. Only in-kind contributions that are quantifiable shall be applied to the in-kind match requirement. Volunteer services may be treated as an in-kind contribution for the purpose of the match requirement of this subsection. Volunteer services that qualify as professional services shall be valued at the fair market value of those services. All other volunteer service hours shall be valued at the statewide average wage rate as calculated from data compiled by the Employment Security Commission in the Employment and Wages in North Carolina Annual Report for the most recent period for which data are available. Expenses, including both those paid by cash and in-kind contributions, incurred by other participating non-State entities contracting with the North Carolina Partnership for Children, Inc., or the local partnerships, also may be considered resources available to meet the required private match. In order to qualify to meet the required private match, the expenses shall:

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

Failure to obtain a twenty percent (20%) match by June 30 of each fiscal year shall result in a dollar-for-dollar reduction in the appropriation for the Program for a subsequent fiscal year. The North Carolina Partnership for Children, Inc., shall be responsible for compiling information on the private cash and in-kind contributions into a report that is submitted to the Joint Legislative Commission on Governmental Operations in a format that allows verification by the Department of Revenue. The same match requirements shall apply to any expansion funds appropriated by the General Assembly.

SECTION 10.7.(d) The Department of Health and Human Services shall continue to implement the performance-based evaluation system.

SECTION 10.7.(e) The Department of Health and Human Services and the North Carolina Partnership for Children, Inc., shall ensure that the allocation of funds for Early Childhood Education and Development Initiatives for State fiscal years 2009-2010 and 2010-2011 shall be administered and distributed in the following manner:

(1) Capital expenditures are prohibited for fiscal years 2009-2010 and 2010-2011. For the purposes of this section, "capital expenditures" means expenditures for capital improvements as defined in G.S. 143C-1-1(d)(5).

(2) Expenditures of State funds for advertising and promotional activities are prohibited for fiscal years 2009-2010 and 2010-2011.

SECTION 10.7.(f) A county may use the county's allocation of State and federal child care funds to subsidize child care according to the county's Early Childhood Education and Development Initiatives Plan as approved by the North Carolina Partnership for Children, Inc. The use of federal funds shall be consistent with the appropriate federal regulations. Child care providers shall, at a minimum, comply with the applicable requirements for State licensure pursuant to Article 7 of Chapter 110 of the General Statutes.

SECTION 10.7.(g) For fiscal years 2009-2010 and 2010-2011, the local partnerships shall spend an amount for child care subsidies that provides at least fifty-two million dollars ($52,000,000) for the TANF maintenance of effort requirement and the Child Care Development Fund and Block Grant match requirement. The North Carolina Partnership for Children, Inc., shall not spend less on child care subsidies than the spending level for fiscal year 2008-2009.

CONTINUE MORE AT FOUR PROGRAM FOR 2009-2010 FISCAL YEAR

SECTION 10.8.(a) The Department of Public Instruction and Division of Child Development of the Department of Health and Human Services shall continue the implementation of the More at Four prekindergarten program for at-risk four-year-olds who are at risk of failure in kindergarten through the 2009-2010 fiscal year. The program is available statewide to all counties that choose to participate, including underserved areas. The goal of the program is to provide quality prekindergarten services to a greater number of at-risk children in order to enhance kindergarten readiness for these children. The program shall be consistent with standards and assessments established jointly by the Department of Health and Human Services and the Department of Public Instruction.

SECTION 10.8.(b) The Office of School Readiness of the Department of Instruction shall reduce the reimbursement rates per slot statewide. The program funding is reduced by forty million dollars ($40,000,000) recurring beginning for the 2009-2010 fiscal year. The Office of School Readiness, in conjunction with Division of Child Development, shall plan to minimize the number of slots eliminated by reducing the amount of funds paid per slot statewide.

SECTION 10.8.(c) A child whose parent is deployed in the military shall be eligible for participation in the More at Four program.

MORE AT FOUR PROGRAM

SECTION 10.9.(a) The More at Four program is transferred to the Department of Health and Human Services, effective July 1, 2009.

SECTION 10.9.(b) The star rating system currently in place for licensure shall have an additional Plus (+) designation identifying those programs offering a high quality four-year-old classroom. The Plus program shall be administered within the Regulatory Services Section of the Division of Child Development as a high quality four-year-old classroom operated within private child care centers and public schools and will be designated as a Plus program.

SECTION 10.9.(c) The Plus program shall be no less stringent than current standards of the More at Four program in place for the 2008-2009 fiscal year and shall ensure lower ratios of teachers to students and require higher teacher qualifications. The Plus program shall offer a curriculum approved by the Division of Child Development.

SECTION 10.9.(d) Eligibility requirements for the Plus program shall be in accordance with current child care subsidy eligibility requirements as established by the General Assembly. The new reimbursement rate plan shall be in accordance with the child care subsidy program implemented for the 2010-2011 fiscal year.

SECTION 10.9.(e) Public school systems shall be allowed reimbursement through the Division of Child Development for students qualifying for subsidy for its Plus programs. Beginning in school year 2010-2011, the screening process for children applying for subsidy for a Plus program shall occur through the regular subsidy application process in collaboration with local partnerships of the North Carolina Partnership for Children, Inc., county departments of social services, and local school administrative units. Counties are encouraged to develop a single application process for child care subsidy accepted in many locations throughout the county.

SECTION 10.9.(f) Parent payments for the Plus program shall be in accordance with child care subsidy rules adopted by the Division of Child Development for the 2010-2011 fiscal year.

SECTION 10.9.(g) On or before December 1, 2009, the Division of Child Development shall report on the star-rated system and the incorporation of the Plus program. The report will include an analysis of the star-rated system and identify the standards for each and the differences between the various levels.

ADMINISTRATIVE ALLOWANCE FOR COUNTY DEPARTMENTS OF SOCIAL SERVICES

SECTION 10.10. The Division of Child Development of the Department of Health and Human Services shall increase the allowance that county departments of social services may use for administrative costs from four percent (4%) to five percent (5%) of the county's total child care subsidy funds allocated in the Child Care Development Fund Block Grant plan. The increase shall be effective for the 2009-2010 fiscal year.

INCREASE CHILD CARE LICENSING FEES FOR CHILD CARE FACILITIES

SECTION 10.11. G.S. 110-90(1a) reads as rewritten:

"**§ 110-90. Powers and duties of Secretary of Health and Human Services.**

The Secretary shall have the following powers and duties under the policies and rules of the Commission:

...

(1a) To establish a fee for the licensing of child care ~~centers.~~facilities. The fee does not apply to a religious-sponsored child care ~~center~~ facility operated pursuant to a letter of compliance. The amount of the fee may not exceed the amount listed in this subdivision.

Capacity of ~~Center~~Facility	Maximum Fee
12 or fewer children	~~$ 35.00~~$52.00
13-50 children	~~$125.00~~$187.00
51-100 children	~~$250.00~~$375.00
101 or more children	~~$400.00~~$600.00

...."

MENTAL HEALTH CHANGES

SECTION 10.12.(a) For the purpose of mitigating cash flow problems that many non-single-stream local management entities (LMEs) experience at the beginning of each fiscal year, the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall adjust the timing and method by which allocations of service dollars are distributed to each non-single-stream LME. To this end, the allocations shall be adjusted such that at the beginning of the fiscal year the Department shall distribute not less than one-twelfth of the LME's continuation allocation and subtract the amount of the adjusted distribution from the LME's total reimbursements for the fiscal year.

SECTION 10.12.(b) Onetime funds appropriated for the Dorothea Dix Hospital overflow unit shall be used to support the temporary operation of the hospital unit on the Dorothea Dix campus.

SECTION 10.12.(c) The Department shall evaluate the need to continue the temporary operation of the hospital unit for one additional year and provide a recommendation to the Governor no later than February 15, 2010. Notwithstanding any other provision of law to the contrary, the Office of State Budget and Management shall establish the positions for the hospital unit on the Dorothea Dix campus as time-limited positions.

SECTION 10.12.(d) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, the sum of twenty million one hundred twenty-one thousand six hundred forty-four dollars ($20,121,644) for the 2009-2010 fiscal year and the sum of twenty million one hundred twenty-one thousand six hundred forty-four dollars ($20,121,644) for the 2010-2011 fiscal year shall be allocated for the purchase of local inpatient psychiatric beds or bed days. These beds or bed days shall be distributed across the State according to need as determined by the Department. The Department shall enter into contracts with the LMEs and community hospitals for the management of these beds or bed days. Local inpatient psychiatric beds or bed days shall be managed and controlled by the LME, including the determination of which local or State hospital the individual should be admitted to pursuant to an involuntary commitment order. Funds shall not be allocated to LMEs but shall be held in a statewide reserve at the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to pay for services authorized by the LMEs and billed by the hospitals through the LMEs. LMEs shall remit claims for payment to the Division within 15 working days of receipt of a clean claim from the hospital and shall pay the hospital within 30 working days of receipt of payment from the Division. If the Department determines (i) that an LME is not effectively managing the beds or bed days for which it has responsibility, as evidenced by beds or bed days in the local hospital not being utilized while demand for services at the State psychiatric hospitals has not reduced, or (ii) the LME has failed to comply with the prompt payment provisions of this subsection, the Department may contract with another LME to manage the beds or bed days, or, notwithstanding any other provision of law to the contrary, may pay the hospital directly. The Department shall develop reporting requirements for LMEs regarding the utilization of the beds or bed days. Funds appropriated in this section for the purchase of local inpatient psychiatric beds or bed days shall be used to purchase additional beds or bed days not currently funded by or through LMEs and shall not be used to supplant other funds available or otherwise appropriated for the purchase of psychiatric inpatient services under contract with community hospitals, including beds or bed days being purchased through Hospital Utilization Pilot funds appropriated in S.L. 2007-323. Not later than March 1, 2010, the Department shall report to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate, the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, and the Fiscal Research Division on a uniform system for beds or bed days purchased (i) with local funds, (ii) from

existing State appropriations, (iii) under the Hospital Utilization Pilot, and (iv) purchased using funds appropriated under this subsection.

SECTION 10.12.(e) The Secretary of the Department of Health and Human Services shall not take any action prior to January 1, 2010, that would result in the merger or consolidation of LMEs operating on January 1, 2008, or that would establish consortia or regional arrangements for the same purpose, except that LMEs that do not meet the catchment area requirements of G.S. 122C-115 as of January 1, 2010, may initiate, continue, or implement the LMEs' merger or consolidation plans to overcome noncompliance with G.S. 122C-115. This subsection does not prohibit LME's from voluntarily merging if they are contiguous or consolidating administrative functions.

SECTION 10.12.(f) 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 mobile crisis teams, the sum of five million seven hundred fifty-five thousand dollars ($5,755,000) shall be distributed to LMEs to support 30 mobile crisis teams. The new mobile crisis units shall be distributed over the State according to need as determined by the Department.

REENACT 2007 SPECIAL PROVISION ON COLLABORATION ON SCHOOL-BASED CHILD AND FAMILY TEAM INITIATIVE

SECTION 10.13. Section 10.9 of S.L. 2007-323 is reenacted for the 2009-2011 fiscal biennium.

CLOSURE OF WRIGHT AND WHITAKER SCHOOLS

SECTION 10.14. The Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall close the Wright School and the Whitaker School, effective December 31, 2009.

The Division shall prepare a transition plan for each student currently attending these schools, which shall include assisting in the location of community services for the student, working with the public school system in preparing or updating the student's individualized education plan, and working with the local management entity (LME) to ensure that the needs of the student are met. The LME shall conduct a six-month follow-up on each of these students.

The Division shall report on student transitions, student participation in any community or residential programs, and student progress six months after the school closures. The Division shall submit the report to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, and the Fiscal Research Division not later than August 30, 2010.

The Department shall ensure that all possible measures are taken to provide a State job for employees of these schools.

SUBSTANCE ABUSE TASK FORCE RECOMMENDATIONS/AVAILABILITY OF SUBSTANCE ABUSE TREATMENT

SECTION 10.15.(a) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, the sum of one million dollars ($1,000,000) shall be used to implement one or more priority recommendations of the North Carolina Institute of Medicine (NCIOM) Substance Abuse Task Force, which include:

(1) Development of a comprehensive substance abuse prevention plan for use at the State and local levels.

(2) Providing funding for the establishment of six pilot projects to implement county or multicounty comprehensive prevention plans.
(3) Supporting efforts to reduce high-risk drinking on college campuses.
(4) Development of a pilot program to provide chronic disease management services to substance abuse clients and former clients. The purpose of the pilot is to decrease the number of short-term hospital admissions and to provide discharge planning and follow-up to reduce substance abuse client recidivism.
(5) Educating and encouraging health care professionals to use the screening, brief intervention, and referral to treatment (SBIRT) model promoted by the federal government.

SECTION 10.15.(b) Consistent with G.S. 122C-2, the General Assembly strongly encourages Local Management Entities (LMEs) to use a portion of the funds appropriated for substance abuse treatment services to support prevention and education activities.

SECTION 10.15.(c) An LME may use up to one percent (1%) of funds allocated to it for substance abuse treatment services to provide nominal incentives for consumers who achieve specified treatment benchmarks, in accordance with the federal substance abuse and mental health services administration best practice model entitled Contingency Management.

SECTION 10.15.(d) In providing treatment and services for adult offenders and increasing the number of Treatment Accountability for Safer Communities (TASC) case managers, local management entities shall consult with TASC to improve offender access to substance abuse treatment and match evidence-based interventions to individual needs at each stage of substance abuse treatment. Special emphasis should be placed on intermediate punishment offenders, community punishment offenders at risk for revocation, and Department of Correction (DOC) releasees who have completed substance abuse treatment while in custody.

In addition to the funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, to provide substance abuse services for adult offenders and to increase the number of TASC case managers, the Department shall allocate up to three hundred thousand dollars ($300,000) to TASC. These funds shall be allocated to TASC before funds are allocated to LMEs for mental health services, substance abuse services, and crisis services.

SECTION 10.15.(e) In providing drug treatment court services, LMEs 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. During the 52-week drug treatment court program, participants shall receive an array of treatment and aftercare services that meets the participant's level of need, including step-down services that support continued recovery.

SECTION 10.15.(f) Not later than October 1, 2009, the Department of Health and Human Services shall complete the development of a Uniform Screening Tool (UST) to determine the mental health of any individual admitted to any long-term care facility. The Department shall report on the status of UST development on or before January 1, 2010, to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services.

TOTAL QUALITY MANAGEMENT

SECTION 10.16. The Secretary of the Department of Health and Human Services shall implement a Total Quality Management Program in hospitals and other State facilities for the purpose of providing a high level of customer service by well-trained staff throughout the

organization. The focus of this management approach shall be on meeting customer needs by providing high-quality services.

The Department shall involve staff at all levels of the organization by soliciting suggestions and input into decision making by managers. The Department shall create staff committees composed of a representative distribution of rank and file employees, to evaluate policy changes and identify training opportunities and other necessary improvements.

The Department shall submit a report on the status of the Total Quality Management Program, including any activities associated with its implementation within State facilities, to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, and the Fiscal Research Division not later than December 1, 2009.

BUDGET REDUCTIONS FOR DIVISION OF MH/DD/SA

SECTION 10.17. The Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall reduce its budget in the following areas for the 2009-2010 and 2010-2011 fiscal years:

Facility	Fund Code	FY 2009-2010	FY 2010-2011
Broughton Hospital	4541	$ (34,220)	
Broughton Hospital	4541		$ (136,550)
Broughton Hospital	4549	$ (7,000)	
Longleaf Neuro-Medical	4541	$ (64,000)	
Longleaf Neuro-Medical	4541	$ (24,000)	
Longleaf Neuro-Medical	4541		$ (72,500)
Black Mountain Neuro-Medical	4541		$ (25,796)
Caswell Developmental Center	4541	$ (210,632)	
Caswell Developmental Center	4541		$ (320,500)
Caswell Developmental Center	4549	$ (16,500)	
Murdoch Center	3210	$ (14,447)	$ (14,447)
Murdoch Center	4541	$ (200,750)	
Murdoch Center	4541		$ (93,200)
O-Berry Neuro-Medical	4521	$ (60,702)	$ (21,102)
O-Berry Neuro-Medical	4541	$ (22,103)	
Iverson Riddle Center	3110	$ (12,153)	$ (12,153)
Walter Jones ADATC	3110	$ (5,852)	$ (5,852)
Walter Jones ADATC	4541	$ (24,500)	
Walter Jones ADATC	4549	$ (8,800)	
TOTAL REDUCTIONS		$ (705,659)	$ (709,100)

New purchases of vehicles for the regional maintenance facilities are subject to approval by the Secretary.

STUDY THE AVAILABILITY OF COMMUNITY MH/DD/SA SERVICES FOR MILITARY FAMILIES

SECTION 10.18. Funds appropriated in this act to the Department of Health and Human Services for North Carolina Institute of Medicine (NCIOM) shall be used to study the availability of Medicaid and State-funded mental health, developmental disability, and substance abuse services to active duty, reserve, and veteran members of the military and National Guard. The study should discuss the current availability of services, the extent of use, and any gaps in services. The NCIOM shall submit a report of its findings and any

recommended legislation to the Governor's Office, the Joint Legislative Commission on Governmental Operations, and the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services by February 15, 2010.

FUNDS FOR LOCAL MANAGEMENT ENTITY (LME) SERVICE GAPS

SECTION 10.19. Funds appropriated in this act for mental health services and supported employment 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. Funds appropriated to the Department of Health and Human Services for the 2009-2010 and 2010-2011 fiscal years for mental health services, substance abuse services, and crisis services and allocated based on the poverty level shall continue to be allocated by the Department 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.

TRANSITION OF UTILIZATION MANAGEMENT OF COMMUNITY-BASED SERVICES TO LOCAL MANAGEMENT ENTITIES

SECTION 10.20. Consistent with the findings of the Mercer evaluation of Local Management Entities (LMEs), the Department of Health and Human Services shall collaborate with LMEs to enhance their administrative capabilities to assume utilization management responsibilities for the provision of community-based mental health, developmental disabilities, and substance abuse services. The Department may, with approval of the Office of State Budget and Management, use funds available to implement this section.

MENTAL HEALTH TRUST FUND ALLOCATIONS

SECTION 10.21. Notwithstanding any other provision of law to the contrary, funds allocated from the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs (Fund) in the 2007 fiscal biennium shall not revert to the Fund nor otherwise be withheld but shall be allocated to those programs for which the funds were originally obligated.

VITAL RECORDS FEES

SECTION 10.22. G.S. 130A-93.1 reads as rewritten:

"**§ 130A-93.1. Fees for vital records copies or search; automation fund.**

(a) The State Registrar shall collect, process, and utilize fees for services as follows:

(1) A fee not to exceed ~~fifteen dollars ($15.00)~~ twenty dollars ($20.00) shall be charged for issuing ~~any~~ a first copy of a vital record or for conducting a routine search of the files for the record when no copy is made. A fee of fifteen dollars ($15.00) shall be charged for each additional certificate copy requested from the same search. When certificates are issued or searches conducted for statewide issuance by local agencies using databases maintained by the State Registrar, the local agency shall charge ~~this fee~~ these fees and shall ~~forward five dollars ($5.00) of this fee~~ retain ten dollars ($10.00) of these fees to cover local administrative costs and forward the remaining fees to the State Registrar for the purposes established in subsection (b) of this section.

(2) A fee not to exceed fifteen dollars ($15.00) for in-State requests and not to exceed twenty dollars ($20.00) for out-of-state requests shall be charged in addition to the fee charged under subdivision (1) of this subsection and to all

shipping and commercial charges when expedited service is specifically requested.

(2a) The fee for a copy of a computer or microform database shall not exceed the cost to the agency of making and providing the copy.

(3) Except as provided in subsection (b) of this section, fees collected under this subsection shall be used by the Department for public health purposes.

(b) The Vital Records Automation Account is established as a nonreverting account within the Department. Five dollars ($5.00) of each fee collected pursuant to subdivision (a)(1) shall be credited to this Account. The Department shall use the revenue in the Account to fully automate and maintain the vital records system. When funds sufficient to fully automate and maintain the system have accumulated in the Account, fees shall no longer be credited to the Account but shall be used as specified in subdivision (a)(3) of this section."

CHANGES TO COMMUNITY-FOCUSED ELIMINATING HEALTH DISPARITIES INITIATIVE

SECTION 10.23.(a) Funds appropriated in this act from the General Fund to the Department of Health and Human Services for the Community-Focused Eliminating Health Disparities Initiative (CFEHDI) shall be used 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 the health status of 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.

SECTION 10.23.(b) Funds appropriated in this act to the Department of Health and Human Services, Division of Public Health, for the CFEHDI shall be awarded as a grant-in-aid to honor the memory of the following recently deceased members of the General Assembly: Bernard Allen, John Hall, Robert Holloman, Howard Hunter, Jeanne Lucas, and William Martin. These funds shall be used for concerted efforts to address large gaps in health status among North Carolinians who are African-American, as well as disparities among other minority populations in North Carolina.

SECTION 10.23.(c) The Department of Health and Human Services shall report on the following with respect to funds appropriated to the CFEHDI for the 2009-2010 fiscal year. The report shall address the following:

(1) Which community programs and local health departments received CFEHDI grants.

(2) The amount of funding each program or local health department received.

(3) Which of the minority populations were served by the programs or local health departments.

(4) Which counties were served by the programs or local health departments.

(5) What activities were planned and implemented by the programs or local health departments to fulfill the community focus of the CFEHDI program.

(6) How the activities implemented by the programs or local health departments fulfilled the goal of reducing health disparities among minority populations.

The report shall also include specific activities undertaken pursuant to subsection (a) of this section to address large gaps in health status among North Carolinians who are African-American and other minority populations in this State. The Department shall submit the report not later than March 15, 2010, 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.

FUNDS FOR SCHOOL NURSES

SECTION 10.24.(a) All funds appropriated for the school nurse initiative shall be used to supplement and not supplant other State, local, or federal funds appropriated or allocated for this purpose. Communities shall maintain their current level of effort and funding for school nurses. These funds shall not be used for funding nurses for State agencies. All funds shall be used for direct services.

SECTION 10.24.(b) All school nurses funded with State funds shall participate, as needed, in child and family teams.

SECTION 10.24.(c) Of the funds appropriated to the Department of Health and Human Services, Division of Public Health, for the 2009-2010 and 2010-2011 fiscal years, the sum of one million dollars ($1,000,000) in each fiscal year shall be used to hire 20 additional school health nurses bringing the total number of school nurses supported by DHHS to 232. The distribution of additional school nurses shall be made according to the criteria established by the Department in 2006.

AIDS DRUG ASSISTANCE PROGRAM

SECTION 10.25. For the 2009-2010 and 2010-2011 fiscal years, the Department may, within existing Aids Drug Assistance Program (ADAP) resources, adjust the financial eligibility criterion of the ADAP up to an amount not exceeding three hundred percent (300%) 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 a waiting list develops as a result of the eligibility criterion being raised, the Department shall give first priority to those individuals on the waiting list with income at or below one hundred twenty-five percent (125%) of the federal poverty level, and second priority to those individuals with income above one hundred twenty-five percent (125%) and at or below two hundred fifty percent (250%) of federal poverty guidelines.

PUBLIC HEALTH IMPROVEMENT PLAN

SECTION 10.26.(a) The Department of Health and Human Services (DHHS) shall develop a five-year Public Health Improvement Plan (Plan) by March 31, 2010. In developing the Plan the Secretary shall:

(1) Adopt a list of services and activities performed by local health departments that qualify as core public health functions of statewide significance.

(2) Adopt a list of performance measures with the intent of improving health status indicators applicable to core public health functions of statewide significance that local health departments (LHDs) must provide.

(3) Identify a set of health status indicators to be given priority by LHDs.

Under the Plan, all priorities and health status indicators must incorporate as an essential activity the disparity of diseases amongst populations and locales.

SECTION 10.26.(b) In order for measurable benefits to be realized through the implementation of the Plan, the Plan shall include the adoption of levels of performance necessary to promote:

(1) Uniformity across local health departments,

(2) Best evidence-based services,

(3) National standards of performance,

(4) Innovations in public health practice, and

(5) Reduction of geographic and racial health disparities.

LHDs shall have the flexibility and opportunity to use the resources available to achieve the required performance measures in a manner that best suits the LHD.

SECTION 10.26.(c) The Plan will address the need to provide county health departments with financial incentives to encourage and increase local investment in public

health functions. County governments shall not supplant existing local funding with State incentive resources. The Secretary may revise the list of activities and performance measures as appropriate, but before doing so, the Secretary shall provide a written explanation of the rationale for the addition, deletion, or revision.

SECTION 10.26.(d) In developing the Plan the Secretary shall establish and chair the Public Health Improvement Plan Task Force (Task Force), the members and expertise of which shall include:

(1) Local health departments,
(2) Department staff,
(3) Individuals and entities with expertise in the development of performance measures, accountability, and systems management,
(4) Experts in development of evidence-based medical guidelines or public health practice guidelines, and
(5) Individuals and entities that will be affected by the performance measures.

SECTION 10.26.(e) The implementation schedule for the Plan shall be as follows:

(1) July 1, 2009, establish the Task Force to develop the Plan,
(2) March 31, 2010, submit the Plan to the 2010 Regular Session of the 2009 General Assembly,
(3) July 1, 2010, implement the Plan, and
(4) November 15, 2011, and annually thereafter, report on Plan implementation.

SECTION 10.26.(f) The Department will identify the programmatic activities and funding in the Division of Public Health associated with the core functions and activities in the Plan. Funds associated with these activities shall be subject to a flexible spending formula adopted by the Department, as follows:

(1) Beginning in SFY 2010-2011, the flexible spending formula will begin to replace the current spending with a more effective method of funding public health activities at the local level and achieving the results expected.
(2) The Task Force shall identify a reliable and consistent source of State revenue to fund the flexible spending formula.
(3) If sufficient additional revenue is available to implement the Plan, a separate set-aside of available funds would be created. This set-aside would be available to contiguous LHDs that seek to address a specific women's health, child health, or adult health disease or chronic condition, and in doing so, choose to merge into a single Local Health District, thus saving administrative dollars to be focused on public health issues.

SECTION 10.26.(g) Funds appropriated to the Department for flexible spending shall be distributed to county health departments as follows:

(1) Each of the county health departments will receive a base amount to be determined by the DHHS.
(2) The balance of funds in the Flexible Spending Account is to be distributed to the counties on the basis of a formula that takes into consideration the following elements:
    a. Population,
    b. Per capita income,
    c. Rates of:
        1. Infant mortality,
        2. Teenage pregnancy,
        3. Tobacco use,
        4. Cancer,
        5. Heart disease,
        6. Diabetes, and

7. Stroke.

d. Percent of minorities in the county,

e. Body Mass Index (BMI) of public school students, and

f. Other factors as the Secretary may find necessary to achieve the goals of the Plan.

(3) The use of the funds by the LHD would reflect the core public health functions. It will be incumbent upon the LHD to use the funds in a manner that assures its achievement of the performance measures adopted by the Secretary.

SECTION 10.26.(h) To ensure compliance with Department directives, the Task Force shall consider requiring each county health department to submit to the Secretary such data as the Secretary determines is necessary to allow the Secretary to assess whether the county health department has used the funds in a manner consistent with achieving the performance measures associated with this Plan.

SECTION 10.26.(i) Beginning November 15, 2011, and biannually thereafter, the Secretary shall report to the Governor and the General Assembly on:

(1) The distribution of funds to LHDs,

(2) The use of these funds by LHDs,

(3) The specific effect the funding from this Plan has had on:

a. LHDs' performance,

b. Health status indicators, and

c. Health disparities.

The Secretary's initial report will focus on implementation. Subsequent reports will evaluate trends in performance and expenditures.

HEALTH INFORMATION TECHNOLOGY

SECTION 10.27.(a) The Department of Health and Human Services, in cooperation with the State Chief Information Officer and the North Carolina Office of Economic Recovery and Investment, shall coordinate health information technology (HIT) policies and programs within the State of North Carolina. The Department's goal in coordinating State HIT policy and programs shall be to avoid duplication of efforts and to ensure that each State agency, public entity, and private entity that undertakes health information technology activities associated with the American Recovery and Reinvestment Act of 2009 (ARRA) does so within the area of its greatest expertise and technical capability, and in a manner that supports coordinated State and national goals, which shall include at least all of the following:

(1) Ensuring that patient health information is secure and protected, in accordance with applicable law.

(2) Improving health care quality, reducing medical errors, reducing health disparities, and advancing the delivery of patient-centered medical care.

(3) Providing appropriate information to guide medical decisions at the time and place of care.

(4) Ensuring meaningful public input into HIT infrastructure development.

(5) Improving the coordination of information among hospitals, laboratories, physician offices, and other entities through an effective infrastructure for the secure and authorized exchange of health care information.

(6) Improving public health services and facilitating early identification and rapid response to public health threats and emergencies, including bioterrorist events and infectious disease outbreaks.

(7) Facilitating health and clinical research.

(8) Promoting early detection, prevention, and management of chronic diseases.

SECTION 10.27.(b) The Department of Health and Human Services shall establish and direct a HIT management structure that is efficient and transparent and that is compatible with the Office of the National Health Coordinator for Information Technology (National Coordinator) governance mechanism. The HIT management structure shall be responsible for all of the following:

(1) Developing a State plan for implementing and ensuring compliance with national HIT standards, and for the most efficient, effective, and widespread adoption of HIT.

(2) Ensuring that (i) specific populations are effectively integrated into the State plan, including aging populations, populations requiring mental health services, and populations utilizing the public health system; and (ii) unserved and underserved populations receive priority consideration for HIT support.

(3) Identifying all HIT stakeholders and soliciting feedback and participation from each stakeholder in the development of the State plan.

(4) Ensuring that existing HIT capabilities are considered and incorporated into the State plan.

(5) Identifying and eliminating conflicting HIT efforts where necessary.

(6) Identifying available resources for the implementation, operation, and maintenance of health information technology, including, but not limited to, the ARRA, with emphasis on identifying resources and available opportunities for North Carolina institutions of higher learning.

(7) Ensuring that the appropriate State entities receive all the necessary information and support to successfully compete for funding included in the ARRA.

(8) Ensuring that potential State plan participants are aware of HIT policies and programs and the opportunity for improved health information technology.

(9) Monitoring HIT efforts and initiatives in other States and replicating successful efforts and initiatives in North Carolina.

(10) Monitoring the development of the National Coordinator's strategic plan and ensuring that all stakeholders are aware of and in compliance with its requirements.

(11) Monitoring the progress and recommendations of the HIT Policy and Standards Committees and ensuring that all stakeholders remain informed of the Committee's recommendations.

(12) Monitoring all studies and reports provided to the United States Congress and reporting to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on the impact of report recommendations on State efforts to implement coordinated HIT.

SECTION 10.27.(c) Beginning October 1, 2009, the Department of Health and Human Services shall provide quarterly written reports on the status of HIT efforts 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. The report shall include the following:

(1) Current status of federal HIT initiatives.

(2) Current status of State HIT efforts and initiatives among both public and private entities.

(3) A breakdown of current public and private funding sources and dollar amounts for State HIT initiatives.

(4) Department efforts to coordinate HIT initiatives within the State, and any obstacles or impediments to coordination.

(5) HIT research efforts being conducted within the State, and sources of funding for research efforts.

(6) Opportunities for stakeholders to participate in HIT funding and other efforts and initiatives during the next quarter.

(7) Issues associated with the implementation of HIT in North Carolina and recommended solutions to these issues.

HOSPITAL-ACQUIRED INFECTIONS

SECTION 10.28. The Department of Health and Human Services shall apply for federal funds that are available through P.L. 111-15, the American Recovery and Reinvestment Act, to develop and implement a mandatory statewide hospital-acquired infections surveillance and reporting system, as recommended by the Joint Study Committee on Hospital Infection Control and Disclosure.

MEN'S HEALTH

SECTION 10.29. The Department of Health and Human Services, Division of Public Health, shall use funds available to delegate to the Chronic Disease Prevention and Control Office the responsibility for ensuring attention to the prevention of disease and improvement in the quality of life for men over their entire lifespan. The Department shall develop strategies for achieving these goals, which shall include (i) developing a strategic plan to improve health care services, (ii) build public heath awareness, and (iii) develop initiatives within existing programs.

FACILITATION OF ENROLLMENT AND REENROLLMENT OF ELIGIBLE CHILDREN IN MEDICAID AND NC HEALTH CHOICE

SECTION 10.30. The Department of Health and Human Services shall increase its efforts to simplify the eligibility determination and recertification process to facilitate the enrollment and reenrollment of eligible Medicaid and NC Health Choice individuals. The Department shall also:

(1) Explore various opportunities through public awareness campaigns and enlisting community organizations to alert families of the opportunities of Medicaid and NC Health Choice to provide preventive health care to their children; and

(2) Pursue opportunities in the federal Children's Health Insurance Program Reauthorization Act (CHIPRA) to enhance outreach efforts and enrollment for children in Medicaid and NC Health Choice. These enhancements include funding for outreach and enrollment activities and implementation of the "Express Lane" option that uses agencies that determine eligibility for TANF, IV-D SNAP, Head Start, and School Lunch programs to enroll children.

The Department shall also submit a Medicaid State Plan Amendment to take advantage of recent federal legislation (CHIPRA) allowing states to provide medical assistance to children and pregnant women who are lawfully residing in the United States.

NC HEALTH CHOICE TRANSITION

SECTION 10.31.(a) The Secretary of the Department of Health and Human Services shall develop and implement a plan for assuming administrative responsibility for the North Carolina Health Choice for Children program by transitioning all administrative oversight and claims processing activities from the Executive Administrator and Board of Trustees of the State Health Plan for Teachers and State Employees to the Division of Medical Assistance. The transition of all administrative oversight and claims processing from the State

Health Plan to the Division of Medical Assistance shall be completed not later than July 1, 2010. The Secretary shall report to the Joint Legislative Health Care Oversight Committee and the Committee on Employee Hospital and Medical Benefits at least 30 days prior to effecting the transition of the responsibilities for the administration and processing of claims for benefits provided under the North Carolina Health Choice for Children program from the Executive Administrator and Board of Trustees of the State Health Plan for Teachers and State Employees to the Department.

SECTION 10.31.(b) In consultation with the Department of Health and Human Services, Division of Medical Assistance, and other appropriate organizations, the Office of State Budget and Management (OSBM) shall conduct an independent analysis of the cost to determine appropriate staffing levels to manage and implement the transition of NC Health Choice from the State Health Plan to the Division to ensure that the transition of NC Health Choice occurs with minimal disruption and that the Division has adequate staffing and an organizational structure that fits with its existing structure. The Office of State Budget and Management shall report with staffing recommendations by March 1, 2010, 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.

NC HEALTH CHOICE/PROCEDURES FOR CHANGING MEDICAL POLICY

SECTION 10.32. Chapter 108A of the General Statutes is amended by adding a new section to read:

"**§ 108A-54.3. 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 applicable to the North Carolina Health Choice Program for Children, 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 North Carolina Health Choice Program for Children 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 North Carolina Health Choice Program for Children 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."

NC HEALTH CHOICE MEDICAL POLICY

SECTION 10.33. Unless required for compliance with federal law, the Department shall not change medical policy affecting the amount, sufficiency, duration, and scope of NC Health Choice 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 one million dollars ($1,000,000) in total requirements for a given fiscal year, then the Department shall submit the proposed medical 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 one million dollars ($1,000,000) 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. For medical policy changes exceeding one million dollars ($1,000,000) in total requirements for a given fiscal year that are required for compliance with federal law, the Department shall submit the proposed medical policy or policy interpretation change with a five-year fiscal analysis to the Office of State Budget and Management prior to implementing the change. 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 one million dollars ($1,000,000).

NC HEALTH CHOICE ENROLLMENT

SECTION 10.34. The Department of Health and Human Services may, in the NC Health Choice Program for the 2009-2010 fiscal year, allow enrollment to grow by not more than 15,583 children.

NCHC FUNDS REDUCTION/CCNC

SECTION 10.35.(a) The last paragraph of G.S. 108A-70.21(b) reads as rewritten:

"**§ 108A-70.21. Program eligibility; benefits; enrollment fee and other cost-sharing; coverage from private plans; purchase of extended coverage.**

...

The Department shall provide services to children enrolled in the NC Health Choice Program through Community Care of North Carolina (CCNC) and shall pay Community Care of North Carolina providers for these services as allowed under Medicaid. The Department shall pay for these services only if sufficient information is available to the Department for utilization management of the services provided through CCNC."

SECTION 10.35.(b) The Department of Health and Human Services, Division of Medical Assistance, shall reduce or eliminate funding for per member/per month fees paid to Community Care of North Carolina (CCNC) if sufficient information is not available to the Department for utilization management of the provider services.

COMMUNITY CARE OF NORTH CAROLINA

SECTION 10.36.(a) Given the primary care case management foundation established by Community Care of North Carolina, the Department shall build upon that foundation to ensure quality care and cost control of CCNC by implementing the activities listed in subsection (b) of this section.

SECTION 10.36.(b) The Department shall contract with CCNC to manage the care of Medicaid recipients, through a per member, per month reimbursement. In the contract

DHHS shall ensure that CCNC adheres to the following tenets, adapted from the National Committee of Quality Assurance's (NCQA) national measures for Medical Homes Models. The CCNC networks must demonstrate proficiency in:

(1) Written standards for patient access and patient communication;
(2) Use of data to show patients are meeting this standard;
(3) Adoption and implementation of evidenced-based guidelines for priority diseases and conditions as identified by DHHS;
(4) Active support, monitoring, follow-up, and documentation on patient self-management;
(5) Tracking system to test and identify abnormal results, and follow-up in a timely manner;
(6) Tracking referrals from and to other acute and long-term care facilities and providers, so as to provide continuous management of patient care;
(7) Measurement of clinical and/or service performance by physician or across a practice; and
(8) Reporting performance according to baseline data and performance measure established by the DHHS Independent Advisory Group across CCNC networks, practices, and physicians to achieve the maximum savings possible through the improvement in the quality of care.

SECTION 10.36.(c) By July 1, 2009, or as soon a possible thereafter, the Department shall establish an Independent Advisory Group (IAG) for the purpose of developing targeted (i) baseline data, (ii) clinically acceptable performance measures that recognize nationally accredited treatment protocols, and (iii) patient, physician, and practice goals that improve quality of care, and realize necessary savings within Medicaid. The members of the Independent Advisory Group shall have demonstrated experience in actuarial analysis, health policy analysis, medical practice, hospital administration, or management of long-term chronic conditions. The Independent Advisory Group and the Department shall ensure the following:

(1) The IAG shall begin work immediately so that baseline data, clinically acceptable performance measures, and practice goals to improve quality and cost savings can be implemented no later than January 1, 2010.
(2) The Department shall prepare a report to the General Assembly on the baseline data, clinically acceptable performance measures, and practice goals adopted by the IAG, and the improved quality and cost savings expected as a result of their implementation. This report will be due January 31, 2010.
(3) The IAG shall establish baseline information and performance measures for the diseases and conditions listed in this subdivision, the focus of which shall be on Medicaid recipients who are children, adults, and among those who are aged, blind, or disabled. The diseases and conditions shall include:
    a. Asthma,
    b. Diabetes,
    c. Heart disease,
    d. Chronic Obstructive Pulmonary Disease,
    e. Mental illness,
    f. Substance abuse,
    g. Obesity, and
    h. High risk maternity care
(4) The baseline information, performance measures, and practice and physician goals developed for the continuing care of Medicaid recipients, who are also eligible for Medicare shall include attention to this population's:
    a. Increased primary care visit rate,

b. Hospital admission rate,
c. Hospital readmission rate,
d. Emergency department visit rate,
e. Mortality rate, and
f. Prescription drug management, including:
1. Number of prescriptions prescribed,
2. Number of generic versus brand-name prescriptions, and
3. Reconciliation of a patient's prescriptions between hospital, nursing facility, and primary care physician.

SECTION 10.36.(d) The Department shall conduct a Request for Proposal (RFP) process to solicit bids from qualified outside entities with proven experience in conducting actuarial and health care studies and evaluations to:

(1) Report, assess, and evaluate the CCNC networks proficiency in fulfilling the eight tenets described above,
(2) Report, assess, and evaluate the CCNC networks implementation and achievement of the baseline data, clinically acceptable performance measures, and practice goals to improve quality and cost savings established by the IAG, and
(3) Report on the Medicaid cost savings achieved by the CCNC networks during a 12-month period.

SECTION 10.36.(e) The contractor's report, information, and data shall be in a format that allows the Department to manipulate and assess the performance of CCNC as a whole and for its 14 networks individually. Not later than November 1, 2010, the Department shall provide 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 copies of the contractor's report for CCNC activities conduced during the 2009-2010 fiscal year.

SECTION 10.36.(f) Under the Children's Health Insurance Program Reauthorization Act, P.L. 111-1, the U.S. Secretary of Health and Human Services is directed to:

(1) Develop a standardized reporting format that encourages states to report information regarding the quality of pediatric health care delivered through the State Children's Health Insurance Program, and
(2) Establish a set of pediatric quality measures not later than January 1, 2011.

Given this directive, the IAG shall develop targeted baseline data, clinically acceptable performance measures that recognize nationally accredited treatment protocols, and patient, physician, and practice goals that improve quality of care, in order to realize necessary savings within North Carolina's Health Choice program. The IAG shall begin this effort so that baseline data, clinically acceptable performance measures, and practice goals to improve quality and cost savings can be implemented by July 1, 2010, the date on which the Department of Health and Human Services' Division of Medical Assistance assumes management responsibility of the Health Choice program from the State Health Plan.

COMMUNITY HEALTH CENTER CHANGES

SECTION 10.37. Of the funds appropriated in this act for Community Health Grants, the sum of seven million eight hundred sixty thousand dollars ($7,860,000) in recurring funds for the 2009-2010 fiscal year and the sum of seven million eight hundred sixty thousand dollars ($7,860,000) for the 2010-2011 fiscal year. These funds shall be allocated as grants on a competitive basis to rural health centers, free clinics, public health departments, school-based health centers, qualified health centers, and other nonprofit organizations that provide primary care and preventive health services to uninsured and indigent persons. Community health

centers that have received federal funds through the American Recovery and Reinvestment Act to provide new, expanded, or continuing health services are not eligible to receive funds under this section.

LIABILITY INSURANCE

SECTION 10.38.(a) The Secretary of the Department of Health and Human Services, the Secretary of the Department of Environment and Natural Resources, and the Secretary of the Department of Correction may provide medical liability coverage not to exceed one million dollars ($1,000,000) per incident on behalf of employees of the Departments licensed to practice medicine or dentistry, on behalf of all licensed physicians who are faculty members of The University of North Carolina who work on contract for the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services for incidents that occur in Division programs, and on behalf of physicians in all residency training programs from The University of North Carolina who are in training at institutions operated by the Department of Health and Human Services. This coverage may include commercial insurance or self-insurance and shall cover these individuals for their acts or omissions only while they are engaged in providing medical and dental services pursuant to their State employment or training.

SECTION 10.38.(b) The coverage provided under this section shall not cover any individual for any act or omission that the individual knows or reasonably should know constitutes a violation of the applicable criminal laws of any state or the United States or that arises out of any sexual, fraudulent, criminal, or malicious act or out of any act amounting to willful or wanton negligence.

SECTION 10.38.(c) The coverage provided pursuant to this section shall not require any additional appropriations and shall not apply to any individual providing contractual service to the Department of Health and Human Services, the Department of Environment and Natural Resources, or the Department of Correction, with the exception that coverage may include physicians in all residency training programs from The University of North Carolina who are in training at institutions operated by the Department of Health and Human Services and licensed physicians who are faculty members of The University of North Carolina who work for the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services.

FUNDS FOR JIM "CATFISH" HUNTER CHAPTER OF THE ALS ASSOCIATION

SECTION 10.39. Funds appropriated in this act for the Jim "Catfish" Hunter Chapter of the ALS Association shall be expended only for services provided within North Carolina.

DHHS PAYROLL DEDUCTION FOR CHILD CARE SERVICES

SECTION 10.40. Subject to rules adopted by the State Controller, an employee of the Department of Health and Human Services may authorize, in writing, the periodic deduction from the employee's salary or wages for employment by the State, a designated lump sum to be paid to satisfy the cost of services received for child care provided by the Department.

MEDICAID MANAGEMENT INFORMATION SYSTEM (MMIS) FUNDS/IMPLEMENTATION OF MMIS

SECTION 10.41.(a) Of the funds appropriated in this act to the Department of Health and Human Services (Department) from prior year earned revenues received by the Department for the Medicaid Management Information System (MMIS), the sum of eleven million seventy-one thousand five hundred two dollars ($11,071,502) for fiscal year 2009-2010

and the sum of nine million eight hundred twenty thousand six hundred eighty-nine dollars ($9,820,689) for fiscal year 2010-2011 shall be (i) deposited to the Department's information technology budget code and (ii) used to match federal funds for the procurement, design, development, and implementation of the new MMIS system and to fund the central management of the project. In the event that the Department does not receive prior year earned revenues in these amounts, the Department is authorized with approval of the Office of State Budget and Management to use other over-realized receipts to the level appropriated in this act for MMIS expenditures.

SECTION 10.41.(b) The Department shall make full development of the replacement MMIS a top priority. During the development and implementation of MMIS, the Department shall develop plans to ensure the timely and effective implementation of enhancements to the system to provide the following capabilities:

(1) Receiving and tracking premium or other payments required by law.

(2) Compatibility with the administration of the Health Information System.

The Department shall make every effort to expedite the implementation of the enhancements. The Office of Information Technology Services shall work in cooperation with the Department to ensure the timely and effective implementation of the MMIS and enhancements. The contract between the Department and the contract vendor shall contain an explicit provision requiring that the MMIS have the capability to fully implement the administration of NC Health Choice, NC Kids' Care, Ticket to Work, Families Pay Part of the Cost of Services under the CAP-MR/DD, CAP Children's Program, and all relevant Medicaid waivers and the Medicare 646 waiver as it applies to Medicaid eligibles. The Department must have detailed cost information for each requirement before signing the contract. Any contract between the Department and a vendor for the MMIS that does not contain the explicit provision required under this subsection is void on its face. Notwithstanding any other provision of law to the contrary, the Secretary of the Department does not have the authority to sign a contract for the MMIS if the contract does not contain the explicit provision required under this section.

SECTION 10.41.(c) Notwithstanding G.S. 114-2.3, the Department shall engage the services of private counsel with the pertinent information technology and computer law expertise to review requests for proposals and to negotiate and review contracts associated with MMIS. The counsel engaged by the Department shall review the MMIS contract between the Department and the vendor to ensure that the requirements of subsection (a) of this section are met in their entirety.

SECTION 10.41.(d) The Department shall develop a comprehensive schedule for the development and implementation of the MMIS that fully incorporates federal and State project management and review requirements. The Department shall ensure that the schedule is as accurate as possible. Any changes to the design, development, and implementation schedule shall be reported as part of the Department's quarterly MMIS reporting requirements. The Department shall submit the schedule to the Chairs of the House of Representatives Committee on Appropriations and the House of Representatives Subcommittee on Health and Human Services, the Chairs of the Senate Committee on Appropriations and the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division. Any change to key milestones in either schedule shall be immediately reported to the Chairs of the House of Representatives Committee on Appropriations and the House of Representatives Subcommittee on Health and Human Services, the Chairs of the Senate Committee on Appropriations and the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division with a full explanation of the reason for the change.

SECTION 10.41.(e) Beginning July 1, 2009, the Department shall make quarterly reports on changes in the functionality and projected costs of the MMIS. The first quarterly submission shall contain a final report on the contract award to include total costs and functionality of the MMIS. Each report shall be made to the Chairs of the House of

Representatives Committee on Appropriations and the House of Representatives Subcommittee on Health and Human Services, the Chairs of the Senate Committee on Appropriations and the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division. A copy of the final report on the contract award shall also be submitted to the Joint Legislative Commission on Governmental Operations.

SECTION 10.41.(f) Upon initiation of the NC MMIS Program Reporting and Analytics Project and the Division of Health Services Regulation Project, the Department shall submit all reports regarding functionality, schedule, and cost in the next regular cycle of reporting identified in subsections (d) and (e) of this section. The Department shall ensure that the solution developed in the Reporting and Analytics Project supports the capability, in its initial implementation, to interface with the North Carolina Teachers' and State Employees' Health Plan. The costs for this capability shall be negotiated prior to the award of the Reporting and Analytics contract. The Reporting and Analytics solution must be completed simultaneously with the replacement MMIS.

NORTH CAROLINA FAMILIES ACCESSING SERVICES THROUGH TECHNOLOGY (NC FAST) FUNDS

SECTION 10.42. The sum of eighteen million three hundred twenty-seven thousand four hundred seventy-eight dollars ($18,327,478) is appropriated from Budget Code 24441, Fund Code 2006, to the Department of Health and Human Services, Division of Central Management Services, for the 2009-2010 fiscal year. These funds shall be used for the development and implementation of North Carolina Families Accessing Services Through Technology (NC FAST). Funds will be placed in the Department's information technology budget code and will match federal funds for project implementation.

PROGRAM ON PREVENTION OF ABUSE AND NEGLECT

SECTION 10.43.(a) The Children's Trust Fund, a program on prevention of abuse and neglect, is transferred from the Department of Public Instruction to the Division of Social Services in the Department of Health and Human Services, as if by a Type I transfer as defined in G.S. 143A-6, with all the elements of such a transfer.

SECTION 10.43.(b) G.S. 7B-1301 reads as rewritten:

"**§ 7B-1301. Program on Prevention of Abuse and Neglect.**

(a) The ~~State Board of Education~~ Department of Health and Human Services, through the ~~Department of Public Instruction~~ Division of Social Services, shall implement the Program on Prevention of Abuse and Neglect. The ~~Department of Public Instruction~~ Division of Social Services ~~subject to the approval of the State Board of Education,~~ shall provide the staff and support services for implementing this program.

(b) In order to carry out the purposes of this Article:

(1) The ~~Department of Public Instruction~~ Division of Social Services shall review applications and make recommendations ~~to the State Board of Education~~ concerning the awarding of contracts under this Article.

(2) The ~~State Board of Education~~ Division of Social Services shall contract with public or private nonprofit organizations, agencies, schools, or with qualified individuals to operate community-based educational and service programs designed to prevent the occurrence of abuse and neglect. Every contract entered into by the ~~State Board of Education~~ Division of Social Services shall contain provisions that at least twenty-five percent (25%) of the total funding required for a program be provided by the administering organization in the form of in-kind or other services and that a mechanism for evaluation of services provided under the contract be included in the services to be performed. In addition, every proposal to the ~~Department of~~

~~Public Instruction~~ Division of Social Services for funding under this Article shall include assurances that the proposal has been forwarded to the local department of social services for comment so that the ~~Department of Public Instruction~~ Division of Social Services may consider coordination and duplication of effort on the local level as criteria in making recommendations ~~to the State Board of Education~~.

(3) The ~~State Board of Education~~ Division of Social Services, with the assistance of the Department of ~~Public Instruction~~ Health and Human Services, shall develop appropriate guidelines and criteria for awarding contracts under this Article. These criteria shall include, but are not limited to: documentation of need within the proposed geographical impact area; diversity of geographical areas of programs funded under this Article; demonstrated effectiveness of the proposed strategy or program for preventing abuse and neglect; reasonableness of implementation plan for achieving stated objectives; utilization of community resources including volunteers; provision for an evaluation component that will provide outcome data; plan for dissemination of the program for implementation in other communities; and potential for future funding from private sources.

(4) The ~~State Board of Education~~ Division of Social Services, with the assistance of the Department of ~~Public Instruction~~ Health and Human Services, shall develop guidelines for regular monitoring of contracts awarded under this Article in order to maximize the investments in prevention programs by the Children's Trust Fund and to establish appropriate accountability measures for administration of contracts.

(5) The ~~State Board of Education~~ Division of Social Services shall develop a State plan for the prevention of abuse and neglect for submission to the Governor, the President of the Senate, and the Speaker of the House of Representatives.

(c) To assist in implementing this Article, the ~~State Board of Education~~ Division of Social Services may accept contributions, grants, or gifts in cash or otherwise from persons, associations, or corporations. All monies received by the ~~State Board of Education~~ Division of Social Services from contributions, grants, or gifts and not through appropriation by the General Assembly shall be deposited in the Children's Trust Fund. Disbursements of the funds shall be on the authorization of the ~~State Board of Education or that Board's duly authorized representative~~ Department of Health and Human Services. In order to maintain an effective expenditure and revenue control, the funds are subject in all respects to State law and regulations, but no appropriation is required to permit expenditure of the funds.

(d) Programs contracted for under this Article are intended to prevent abuse and neglect of juveniles. Abuse and neglect prevention programs are defined to be those programs and services which impact on juveniles and families before any substantiated incident of abuse or neglect has occurred. These programs may include, but are not limited to:

(1) Community-based educational programs on prenatal care, perinatal bonding, child development, basic child care, care of children with special needs, and coping with family stress; and

(2) Community-based programs relating to crisis care, aid to parents, and support groups for parents and their children experiencing stress within the family unit.

(e) No more than twenty percent (20%) of each year's total awards may be utilized for funding State-level programs to coordinate community-based programs."

SECTION 10.43.(c) G.S. 7B-1302 reads as rewritten:

"**§ 7B-1302. Children's Trust Fund.**

(a) There is established a fund to be known as the "Children's Trust Fund," in the Department of State Treasurer, which shall be funded by a portion of the marriage license fee under G.S. 161-11.1 and a portion of the special license plate fee under G.S. 20-81.12. The money in the Fund shall be used by the ~~State Board of Education~~ Division of Social Services to fund abuse and neglect prevention programs so authorized by this Article.

(b) The Department of ~~Public Instruction~~ Health and Human Services shall report annually on revenues and expenditures of the Children's Trust Fund to the Joint Legislative Commission on Governmental Operations."

INTENSIVE FAMILY PRESERVATION SERVICES FUNDING AND PERFORMANCE ENHANCEMENTS

SECTION 10.44.(a) Notwithstanding the provisions of G.S. 143B-150.6, the Intensive Family Preservation Services (IFPS) Program shall provide intensive services to children and families in cases of abuse, neglect, and dependency where a child is at imminent risk of removal from the home and to children and families in cases of abuse where a child is not at imminent risk of removal. The Program shall be developed and implemented statewide on a regional basis. The IFPS shall ensure the application of standardized assessment criteria for determining imminent risk and clear criteria for determining out-of-home placement.

SECTION 10.44.(b) The Department of Health and Human Services shall require that any program or entity that receives State, federal, or other funding for the purpose of Intensive Family Preservation Services shall provide information and data that allows for:

(1) An established follow-up system with a minimum of six months of follow-up services.

(2) Detailed information on the specific interventions applied, including utilization indicators and performance measurement.

(3) Cost-benefit data.

(4) Data on long-term benefits associated with Intensive Family Preservation Services. This data shall be obtained by tracking families through the intervention process.

(5) The number of families remaining intact and the associated interventions while in IFPS and 12 months thereafter.

(6) The number and percentage by race of children who received Intensive Family Preservation Services compared to the ratio of their distribution in the general population involved with Child Protective Services.

SECTION 10.44.(c) The Department shall establish performance-based funding protocol and shall only provide funding to those programs and entities providing the required information specified in subsection (b) of this section. The amount of funding shall be based on the individual performance of each program.

SECTION 10.44.(d) The Department shall publish an annual report on the Intensive Family Preservation Services Program, including the information and data under subdivisions (b)(2) through (b)(6) of this section.

FOSTER CARE AND ADOPTION ASSISTANCE PAYMENTS

SECTION 10.45.(a) The maximum rates for State participation in the foster care assistance program are established on a graduated scale as follows:

(1) $475.00 per child per month for children aged birth through 5;

(2) $581.00 per child per month for children aged 6 through 12; and

(3) $634.00 per child per month for children aged 13 through 18.

SECTION 10.45.(b) The maximum rates for the State adoption assistance program are established consistent with the foster care rates as follows:

(1) $475.00 per child per month for children aged birth through 5;

(2) $581.00 per child per month for children aged 6 through 12; and
(3) $634.00 per child per month for children aged 13 through 18.

SECTION 10.45.(c) In addition to providing board payments to foster and adoptive families of HIV-infected children, as prescribed in Section 23.28 of Chapter 324 of the 1995 Session Laws, any additional funds remaining that were appropriated for this purpose shall be used to provide medical training in avoiding HIV transmission in the home.

SECTION 10.45.(d) The maximum rates for the State participation in HIV foster care and adoption assistance are established on a graduated scale as follows:

(1) $800.00 per child per month with indeterminate HIV status;
(2) $1,000 per child per month confirmed HIV-infected, asymptomatic;
(3) $1,200 per child per month confirmed HIV-infected, symptomatic; and
(4) $1,600 per child per month terminally ill with complex care needs.

SECTION 10.45.(e) The State and a county participating in foster care and adoption assistance shall each contribute fifty percent (50%) of the nonfederal share of the cost of care for a child placed by a county department of social services or child placing agency in a family foster home or residential child care facility. A county shall be held harmless from contributing fifty percent (50%) of the nonfederal share of the cost for a child currently in a family foster home or residential child care facility until the child leaves foster care or experiences a placement change.

SECTION 10.45.(f) The Department of Health and Human Services may establish foster care and adoption assistance rates based on the United States Department of Agriculture (USDA) "Expenditures on Children by Families" index subject to State appropriations for each fiscal year.

CHILD SUPPORT PROGRAM/ENHANCED STANDARDS

SECTION 10.46. G.S. 110-129.1(a) is amended by adding the following new subdivision to read:

"(a) In addition to other powers and duties conferred upon the Department of Health and Human Services, Child Support Enforcement Program, by this Chapter or other State law, the Department shall have the following powers and duties:

...

(8) Implement and maintain performance standards for each of the State and county child support enforcement offices across the State. The performance standards shall include the following:

a. Cost per collections.
b. Consumer satisfaction.
c. Paternity establishments.
d. Administrative costs.
e. Orders established.
f. Collections on arrearages.
g. Location of absent parents.
h. Other related performance measures.

The Department shall monitor the performance of each office and shall implement a system of reporting that allows each local office to review its performance as well as the performance of other local offices. The Department shall publish an annual performance report that includes the statewide and local office performance of each child support office."

CHILD CARING INSTITUTIONS

SECTION 10.47. Until the Social Services Commission adopts rules setting standardized rates for child caring institutions as authorized under G.S. 143B-153(8), the

maximum reimbursement for child caring institutions shall not exceed the rate established for the specific child caring institution by the Department of Health and Human Services, Office of the Controller. In determining the maximum reimbursement, the State shall include county and IV-E reimbursements.

SPECIAL CHILDREN ADOPTION FUND

SECTION 10.48. Part 4 of Article 2 of Chapter 108A of the General Statutes is amended by adding the following new section to read:

"**§ 108A-50.2. Special Children Adoption Fund.**

(a) Funds appropriated by the General Assembly in the Current Operations Appropriations Act shall be used to support the Special Children Adoption Fund. The Division of Social Services of the Department of Health and Human 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. No local match shall be required as a condition for receipt of these funds. In accordance with State rules for allowable costs, the Special Children Adoption Fund may be used for post-adoption services for families whose income exceeds two hundred percent (200%) of the federal poverty level.

(b) Of the total funds appropriated for the Special Children Adoption Fund each year, twenty percent (20%) of the total funds available shall be reserved for payment to participating private adoption agencies. If the funds reserved in this subsection for payments to private agencies have not been spent on or before March 31 of each State fiscal year, the Division of Social Services may reallocate those funds, in accordance with this section, to other participating adoption agencies.

(c) The Division of Social Services shall monitor the total expenditures in the Special Children Adoption Fund and redistribute unspent funds to ensure that the funds are used in accordance with the guidelines established in subsection (a) of this section. The Division of Social Services shall implement strategies to ensure that funds that have historically reverted for this program are used for the intended purpose."

LIMITATION ON STATE ABORTION FUND

SECTION 10.49. The limitations on funding of the performance of abortion established in Section 23.27 of Chapter 324 of the 1995 Session Laws, as amended by Section 23.8A of Chapter 507 of the 1995 Session Laws, apply to the 2009-2010 and 2010-2011 fiscal years.

CHILD WELFARE POSTSECONDARY SUPPORT PROGRAM/USE OF ESCHEAT FUND

SECTION 10.50.(a) There is appropriated from the Escheat Fund income to the Department of Health and Human Services the sum of three million one hundred sixty-eight thousand two hundred fifty dollars ($3,168,250) for the 2009-2010 fiscal year. These funds shall be used to support the child welfare postsecondary support program for the educational needs of foster youth aging out of the foster care system and special needs children adopted from foster care after age 12 by providing assistance with the "cost of attendance" as that term is defined in 20 U.S.C. § 1087ll. The Department shall collaborate with the State Education Assistance Authority to develop policies and procedures for the distribution of these funds.

If the interest income generated from the Escheat Fund is less than the amounts referenced in this section, the difference may be taken from the Escheat Fund principal to reach

the appropriations referenced in this section; however, under no circumstances shall the Escheat Fund principal be reduced below the sum required in G.S. 116B-6(f).

Funds appropriated by this section shall be allocated by the State Education Assistance Authority.

The purpose for which funds are appropriated under this section is in addition to other purposes for which Escheat Fund income is distributed under G.S. 116B-7 and shall not be construed to otherwise affect the distribution of funds under G.S. 116B-7.

SECTION 10.50.(b) Of the funds appropriated from the General Fund to the Department of Health and Human Services the sum of fifty thousand dollars ($50,000) for the 2009-2010 fiscal year and the sum of fifty thousand dollars ($50,000) for the 2010-2011 fiscal year shall be allocated to the North Carolina State Education Assistance Authority (SEAA). The SEAA shall use these funds only to perform administrative functions necessary to manage and distribute scholarship funds under the child welfare postsecondary support program.

SECTION 10.50.(c) Of the funds appropriated from the General Fund to the Department of Health and Human Services the sum of five hundred thousand dollars ($500,000) for the 2009-2010 fiscal year and the sum of five hundred thousand dollars ($500,000) for the 2010-2011 fiscal year shall be used to contract with an entity to develop and administer the child welfare postsecondary support program described under subsection (a) of this section, which development and administration shall include the performance of case management services.

SECTION 10.50.(d) Funds appropriated to the Department of Health and Human Services for the child welfare postsecondary support program shall be used only for students attending public institutions of higher education in this State.

SECTION 10.50.(e) It is the intent of the General Assembly that for the 2010-2011 fiscal year and beyond, support for the child welfare postsecondary support program shall be appropriated from the General Fund.

TANF BENEFIT IMPLEMENTATION

SECTION 10.51.(a) The General Assembly approves the plan titled "North Carolina Temporary Assistance for Needy Families State Plan FY 2009-2011," prepared by the Department of Health and Human Services and presented to the General Assembly. The North Carolina Temporary Assistance for Needy Families State Plan covers the period October 1, 2009, through September 30, 2011. The Department shall submit the State Plan, as revised in accordance with subsection (b) of this section, to the United States Department of Health and Human Services, as amended by this act or any other act of the 2009 General Assembly.

SECTION 10.51.(b) The counties approved as Electing Counties in North Carolina's Temporary Assistance for Needy Families State Plan FY 2009-2011, as approved by this section are: Beaufort, Caldwell, Catawba, Iredell, Lenoir, Lincoln, Macon, and Wilson.

SECTION 10.51.(c) Counties that submitted the letter of intent to remain as an Electing County or to be redesignated as an Electing County and the accompanying county plan for fiscal years 2009 through 2011, pursuant to G.S. 108A-27(e), shall operate under the Electing County budget requirements effective July 1, 2009. For programmatic purposes, all counties referred to in this subsection shall remain under their current county designation through September 30, 2009.

EVALUATION OF CONSOLIDATION OF ADMINISTRATIVE FUNCTIONS OF COUNTY DEPARTMENTS OF SOCIAL SERVICES

SECTION 10.52.(a) The Department of Health and Human Services, Division of Social Services, shall study the consolidation of administrative functions among county departments of social services.

SECTION 10.52.(b) The Department shall collaborate with counties to identify opportunities for functional consolidation, affected administrative functions, estimated cost savings, and requisite policy changes, if applicable, to accommodate the consolidation. The Department shall not consolidate administrative functions except as directed by an act of the General Assembly.

SECTION 10.52.(c) The Department shall report its findings and recommendations to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Education/Higher Education, the House of Representatives Appropriations Subcommittee on Education, and the Fiscal Research Division by April 1, 2010.

ENHANCE MARKETING OF PUBLIC ASSISTANCE AVAILABILITY

SECTION 10.53. To ensure that working families are aware of the availability of assistance from Food and Nutrition Services programs and Medical Assistance, the Office of Economic Opportunity, Division of Social Services, and county departments of social services shall enhance the marketing of available services, including Food and Nutrition Services, and Medical Assistance, for prospective recipients.

EVALUATION AND IMPLEMENTATION OF COST-EFFECTIVE EDUCATION FOR STUDENTS WHO ARE DEAF OR HEARING-IMPAIRED

SECTION 10.54.(a) The Department of Health and Human Services, in collaboration with the Department of Public Instruction and the Free Appropriate Public Education Task Force (Task Force), shall develop a plan to reduce the costs of residential instruction for students who are deaf or hearing-impaired. The Plan shall include:

(1) The transitioning, as appropriate, of students served by the Western North Carolina School for the Deaf and Eastern North Carolina School for the Deaf to local education agencies (LEAs), and the identification of LEA resource requirements for the provision of appropriate instruction; and

(2) Additional instructional alternatives.

SECTION 10.54.(b) The Department of Health and Human Services, the Department of Public Instruction, and the Task Force shall report their findings and reduction plan to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Education/Higher Education, the House of Representatives Appropriations Subcommittee on Education, and the Fiscal Research Division no later than April 1, 2010.

NON-MEDICAID REIMBURSEMENT CHANGES

SECTION 10.55. Providers of medical services under the various State programs, other than Medicaid, offering medical care to citizens of the State shall be reimbursed at rates no higher than those under the North Carolina Medical Assistance Program.

The Department of Health and Human Services may reimburse hospitals at the full prospective per diem rates without regard to the Medical Assistance Program's annual limits on hospital days. When the Medical Assistance Program's per diem rates for inpatient services and its interim rates for outpatient services are used to reimburse providers in non-Medicaid medical service programs, retroactive adjustments to claims already paid shall not be required.

Notwithstanding the provisions of this section, the Department of Health and Human Services may negotiate with providers of medical services under the various Department of Health and Human Services programs, other than Medicaid, for rates as close as possible to Medicaid rates for the following purposes: contracts or agreements for medical

services and purchases of medical equipment and other medical supplies. These negotiated rates are allowable only to meet the medical needs of its non-Medicaid eligible patients, residents, and clients who require such services which cannot be provided when limited to the Medicaid rate.

Maximum net family annual income eligibility standards for services in these programs shall be as follows:

DSB Medical Eye Care	125% FPL
DSB Independent Living <55	125% FPL
DSB Independent Living 55>	200% FPL
DSB Vocational Rehabilitation	125% FPL
DVR Independent Living	125% FPL
DVR Vocational Rehabilitation	125% FPL

The Department of Health and Human Services shall contract at, or as close as possible to, Medicaid rates for medical services provided to residents of State facilities of the Department.

DIVISION OF SERVICES FOR THE DEAF AND HARD OF HEARING/FUNDS TRANSFER AND APPROPRIATION

SECTION 10.56.(a) Notwithstanding G.S. 62-157, on July 1, 2009, the State Controller shall transfer five million dollars ($5,000,000) from the Special Account for Telecommunications Relay Service to Nontax Budget Code 19978 (Intra State Transfers) to support General Fund appropriations for the 2009-2010 fiscal year.

SECTION 10.56.(b) Of funds appropriated with Budget Code 67425, Fund Code 6725, and Fund Code 6726 the sum of one million five hundred thousand dollars ($1,500,000) shall be transferred to Budget Code 24410 for Information Technology Projects in the Department of Health and Human Services, Division of Central Management and Support for the Data Collection and Case Management Systems initiative. This initiative shall also be supported with federal funds from the Rehabilitation Act. Funds made available under this section shall be used for the development and implementation of a data collection and case management information system to replace the current system in use by the Division of Services for the Blind, Division of Services for the Deaf and Hard of Hearing, and the Division of Vocational Rehabilitation Services. The Department shall use federal funds first and then State funds, only as necessary, from Budget Code 67425. In accordance with G.S. 143C-1-2(b), funds appropriated for this project shall not revert to the fund from which they came until the project is complete.

SECTION 10.56.(c) If, upon the transfer and appropriation of funds under this section, available funds are insufficient to support recurring services the Division of Services for the Deaf and Hard of Hearing is authorized to provide, the Department of Health and Human Services, shall, pursuant to G.S. 62-157, file a petition with the North Carolina Utilities Commission to reset the surcharge provided for in G.S. 62-157 to maintain a reasonable margin for reserve for the operation of the statewide telecommunications relay service.

STATE-COUNTY SPECIAL ASSISTANCE

SECTION 10.57.(a) The eligibility of Special Assistance recipients residing in adult care homes on August 1, 1995, shall not be affected by an income reduction in the Special Assistance eligibility criteria resulting from adoption of the Rate Setting Methodology Report and Related Services, providing these recipients are otherwise eligible. The maximum monthly rate for these residents in adult care home facilities shall be one thousand two hundred thirty-one dollars ($1,231) per month per resident.

SECTION 10.57.(b) Effective January 1, 2009, the maximum monthly rate for residents in adult care home facilities shall be one thousand two hundred seven dollars ($1,207)

per month per resident unless adjusted by the Department in accordance with subsection (d) of this section.

SECTION 10.57.(c) The maximum monthly rate for residents in Alzheimer/Dementia special care units shall be one thousand five hundred fifteen dollars ($1,515) per month per resident unless adjusted by the Department in accordance with subsection (d) of this section.

SECTION 10.57.(d) Notwithstanding any other provision of this section, the Department of Health and Human Services shall review activities and costs related to the provision of care in adult care homes and shall determine what costs may be considered to properly maximize allowable reimbursement available through Medicaid personal care services for adult care homes (ACH-PCS) under federal law. As determined, and with any necessary approval from the Centers for Medicare and Medicaid Services (CMS), and the approval of the Office of State Budget and Management, the Department may transfer necessary funds from the State-County Special Assistance program within the Division of Social Services to the Division of Medical Assistance and may use those funds as State match to draw down federal matching funds to pay for such activities and costs under Medicaid's personal care services for adult care homes (ACH-PCS), thus maximizing available federal funds. The established rate for State-County Special Assistance set forth in subsections (b) and (c) of this section shall be adjusted by the Department to reflect any transfer of funds from the Division of Social Services to the Division of Medical Assistance and related transfer costs and responsibilities from State-County Special Assistance to the Medicaid personal care services for adult care homes (ACH-PCS). Subject to approval by the Centers for Medicare and Medicaid Services (CMS) and prior to implementing this section, the Department may disregard a limited amount of income for individuals whose countable income exceeds the adjusted State-County Special Assistance rate. The amount of the disregard shall not exceed the difference between the Special Assistance rate prior to the adjustment and the Special Assistance rate after the adjustment and shall be used to pay a portion of the cost of the ACH-PCS and reduce the Medicaid payment for the individual's personal care services provided in an adult care home. In no event shall the reimbursement for services through the ACH-PCS exceed the average cost of the services as determined by the Department from review of cost reports as required and submitted by adult care homes. The Department shall report any transfers of funds and modifications of rates to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division.

SECTION 10.57.(e) The Department of Health and Human Services shall recommend rates for State-County Special Assistance and for Adult Care Home Personal Care Services. The Department may recommend rates based on appropriate cost methodology and cost reports submitted by adult care homes that receive State-County Special Assistance funds and shall ensure that cost reporting is done for State-County Special Assistance and Adult Care Home Personal Care Services to the same standards as apply to other residential service providers.

MEDICAID

SECTION 10.58.(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 one hundred percent (100%) of the nonfederal costs of all applicable services listed in this section. In addition, the State shall pay one hundred percent

(100%) of the federal Medicare Part D clawback payments under the Medicare Modernization Act of 2004.

(3) Use of 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 and related operational costs 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 funds allocated for the 2009-2010 and 2010-2011 fiscal years 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 10.58.(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. – The Division of Medical Assistance, Department of Health and Human Services, shall 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.

(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 medical 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. For medical policy changes exceeding three million dollars ($3,000,000) in total requirements for a given fiscal year that are required for compliance with federal law, the Department shall submit the proposed medical policy or policy interpretation change with the five-year fiscal analysis to the Office of State Budget and Management prior to implementing the change. 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 10.58.(c) Eligibility. – Eligibility for Medicaid shall be determined in accordance with the following:

(1) Medicaid and Work First Family Assistance.

a. 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**
Family Size	Standard of Need & Families and Families and Children Income Level	WFFA* Payment Level	Children & AA, AB, AD* Income Level
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).

b. 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.

c. The Department of Health and Human Services shall provide Medicaid coverage to 19- and 20-year-olds in accordance with federal rules and regulations.

d. Medicaid enrollment of categorically needy families with children shall be continuous for one year without regard to changes in income or assets.

(2) For the following Medicaid eligibility classifications for which the federal poverty guidelines are used as income limits for eligibility determinations, the income limits will be updated each April 1 immediately following publication of federal poverty guidelines. The Department of Health and

Human Services, Division of Medical Assistance, shall provide Medicaid coverage to the following:

a. All elderly, blind, and disabled people who have incomes equal to or less than one hundred percent (100%) of the federal poverty guidelines.

b. Pregnant women with incomes equal to or less than one hundred eighty-five percent (185%) of the federal poverty guidelines and without regard to resources. 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.

c. Infants under the age of one with family incomes equal to or less than two hundred percent (200%) of the federal poverty guidelines and without regard to resources.

d. Children aged one through five with family incomes equal to or less than two hundred percent (200%) of the federal poverty guidelines and without regard to resources.

e. Children aged six through 18 with family incomes equal to or less than one hundred percent (100%) of the federal poverty guidelines and without regard to resources.

f. 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 guidelines and without regard to resources.

g. Workers with disabilities described in G.S. 108A-54.1 with unearned income equal to or less than one hundred fifty percent (150%) of the federal poverty guidelines.

(3) The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to adoptive children with special or rehabilitative needs regardless of the adoptive family's income.

(4) The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to "independent foster care adolescents," ages 18, 19, and 20, as defined in section 1905(w)(1) of the Social Security Act [42 U.S.C. § 1396d(w)(1)], without regard to the adolescent's assets, resources, or income levels.

(5) 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

(6) The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to women who need treatment for breast or cervical cancer and who are defined in 42 U.S.C. § 1396a.(a)(10)(A)(ii)(XVIII).

SECTION 10.58.(d) Services and Payment Bases. – The Department shall spend funds appropriated for Medicaid services 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. – Payment for hospital inpatient services will be prescribed by 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. – 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.

(4) Physicians, certified nurse midwife services, certified registered nurse anesthetists, nurse practitioners. – Fee schedules as developed 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, nonprovider-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. The Department may disregard application of this policy in cases where application of the policy would adversely affect patient care.

(20) Physical therapy, occupational 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.

(21) Personal care services. – Payment in accordance with the State Plan developed by the Department of Health and Human 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 licensed or certified by the occupational licensing board or the certification authority having authority over the provider's license or certification. 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."

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 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 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 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, licensed 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 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.

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 10.58.(e) Provider Performance Bonds and Visits. –

(1) Subject to the provisions of this subdivision, the Department may require Medicaid-enrolled providers to 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 require the purchase of a performance bond or the submission of an executed letter of credit or financial instrument as a condition of initial enrollment, reenrollment, or reinstatement if:

a. The provider fails to demonstrate financial viability,

b. The Department determines there is significant potential for fraud and abuse,

c. The Department otherwise finds it is in the best interest of the Medicaid program to do so.

The Department shall specify the circumstances under which a performance bond or executed letter of credit will be required.

(1a) The Department may waive or limit the requirements of this paragraph for individual Medicaid-enrolled providers or for one or more classes of Medicaid-enrolled providers based on the following:

a. The provider's or provider class's dollar amount of monthly billings to Medicaid.

b. The length of time an individual provider has been licensed, endorsed, certified, or accredited in this State to provide services.

c. The length of time an individual provider has been enrolled to provide Medicaid services in this State.

d. The provider's demonstrated ability to ensure adequate record keeping, staffing, and services.

e. The need to ensure adequate access to care.

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 shall provide to the affected provider written notice of the findings upon which its action is based and shall include the performance bond requirements and the conditions under which a waiver or limitation apply. 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 30 visits per recipient per fiscal year for the following professional services: hospital outpatient providers, physicians, nurse practitioners, nurse midwives, clinics, health departments, optometrists, chiropractors, and podiatrists. The Department of Health and Human Services shall adopt medical policies in accordance with G.S. 108A-54.2 to distribute the allowable number of visits for each service or each group of services consistent with federal law. In addition, the Department shall establish a threshold of some number of visits for these services. The Department shall ensure that primary care providers or the appropriate CCNC network are notified when a patient is nearing the established threshold to facilitate care coordination and intervention as needed.

Prenatal services, all EPSDT children, emergency room visits, and mental health visits subject to independent utilization review are exempt from the visit limitations contained in this subdivision. Subject to appropriate medical review, the Department may authorize exceptions when additional care is medically necessary. Routine or maintenance visits above the established visit limit will not be covered unless necessary to actively manage a life threatening disorder or as an alternative to more costly care options.

SECTION 10.58.(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 payment 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.

(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.

SECTION 10.58.(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. The Department of Health and Human Services shall adopt rules requiring providers to attend training as a condition of enrollment and may adopt temporary or emergency rules to implement the training requirement.

Prior to the filing of the temporary or emergency rules authorized under this subsection 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 subdivision (a)(4) of this section, the report shall be submitted to the Joint Legislative Health Care Oversight Committee.

DMA CONTRACT SHORTFALL

SECTION 10.59.(a) Budget approval is required by the Office of State Budget and Management prior to the Department of Health and Human Services, Division of Medical Assistance, entering into any new contract or the renewal or amendment of existing contracts that exceed the current contract amounts.

SECTION 10.59.(b) The Division of Medical Assistance shall make every effort to effect savings within its operational budget and use those savings to offset its contract shortfall. Notwithstanding G.S. 143C-6-4(b)(3), the Department may use funds appropriated in this act to cover the contract shortfall in the Division of Medical Assistance if insufficient funds exist within the Division.

MEDICAID COST CONTAINMENT ACTIVITIES

SECTION 10.60.(a) The Department of Health and Human Services may use up to five million dollars ($5,000,000) in the 2009-2010 fiscal year and up to five million dollars ($5,000,000) in the 2010-2011 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, 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.

SECTION 10.60.(b) The Department shall provide a copy of proposals for expenditures under this section 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 or before April 1, 2010, the Department shall report on the methods used to achieve savings and the amount saved by these methods. If the Department deploys fraud detection software, a report on the software implementation and fraud detection results shall be submitted to the House and Senate Appropriations Subcommittees on Health and Human Services and the Fiscal Research Division of the General Assembly not later than April 1, 2010.

MEDICAID SPECIAL FUND TRANSFER

SECTION 10.61. Of the funds transferred to the Department of Health and Human Services for Medicaid programs pursuant to G.S. 143C-9-1, there is appropriated from the Medicaid Special Fund to the Department of Health and Human Services the sum of forty-three million dollars ($43,000,000) for the 2009-2010 fiscal year and the sum of forty-three million dollars ($43,000,000) for the 2010-2011 fiscal year. These funds shall be allocated as prescribed by G.S. 143C-9-1(b) for Medicaid programs. Notwithstanding the prescription in G.S. 143C-9-1(b) that these funds not reduce State general revenue funding, these funds shall replace the reduction in general revenue funding effected in this act. The Department may also use funds in the Medicaid Special Fund to fund the settlement of the Disproportionate Share Hospital payment audit issues between the Department of Health and Human Services and the federal government related to fiscal years 1997-2002, and funds are appropriated from the Fund for the 2009-2010 fiscal year for this purpose.

EXTEND IMPLEMENTATION OF COMMUNITY ALTERNATIVES PROGRAMS REIMBURSEMENT SYSTEM

SECTION 10.62. Full implementation for the Community Alternatives Programs reimbursement system shall be not later than 12 months after the date on which the replacement Medicaid Management Information System becomes operational and stabilized.

DMA REDUCTION OPTION FLEXIBILITY

SECTION 10.63.(a) The Department of Health and Human Services, Division of Medical Assistance, shall, in consultation with provider groups and other interested parties, review ways to improve health care quality, ensure appropriate use of services, improve clinical outcomes, and reduce the cost of care for beneficiaries with medically complex conditions as well as to strengthen fraud and abuse oversight efforts. In the review the Division shall explore all viable options to improve the quality of care and to control health care costs, including, but not limited to, the following options:

(1) Increasing utilization review and management practices to improve value and quality internally or with private vendors with proven records in other states' Medicaid programs;
(2) Expanding and enhancing programs that increase Aged, Blind, and Disabled (ABD) Medicaid eligibles participation within CCNC's medical home efforts and/or encourage single physician care management;
(3) Developing and enhancing incentives for increased provider participation in CCNC;
(4) Requiring inpatient and outpatient care management for select Medicaid enrollees;
(5) Adopting specific network and physician performance and compliance standards within the Community Care of North Carolina (CCNC) that are tied to any enhanced reimbursement structure;
(6) Initiative to address State nursing home payment methods and to offer incentives in payment methods to achieve certain quality and cost goals;
(7) Initiative to control drug cost and utilization as well as to maximize collection of supplemental rebates;
(8) Increasing third-party recovery and/or cost avoidance efforts, including enhancing Medicaid fraud and abuse oversight initiatives;
(9) Reducing or eliminating the occurrence of hospital "never events" – nonreimbursement for serious and costly errors in the provision of health care services that should never happen.

SECTION 10.63.(b) In order to consider all proposals prior to preparing adjustments to the fiscal year 2010-2011 budget, the Division shall report its recommendations on methods to better manage and save Medicaid costs to the Governor's Office by January 15, 2010. All proposals shall include the steps necessary for implementation, including time frames, and the amount of projected savings over a five-year period.

ACCOUNTING FOR MEDICAID RECEIVABLES AS NONTAX REVENUE

SECTION 10.64.(a) Receivables reserved at the end of the 2009-2010 and 2010-2011 fiscal years shall, when received, be accounted for as nontax revenue for each of those fiscal years.

SECTION 10.64.(b) For the 2009-2010 fiscal year, the Department of Health and Human Services shall deposit from its revenues one hundred twenty-four million nine hundred ninety-four thousand nine hundred fifty-four dollars ($124,994,954) with the Department of State Treasurer to be accounted for as nontax revenue. For the 2010-2011 fiscal year, the Department of Health and Human Services shall deposit from its revenues one hundred million dollars ($100,000,000) with the Department of State Treasurer to be accounted for as nontax revenue. Any revenue collected in each of the fiscal years in excess of one of the amounts listed above shall be reserved by the State Treasurer in the Department's account for future appropriations by the General Assembly. These deposits shall represent the return of General Fund appropriations provided to the Department of Health and Human Services to provide indigent care services at State-owned and operated mental hospitals. The treatment of any revenue derived from federal programs shall be in accordance with the requirements specified in the Code of Federal Regulations, Volume 2, Part 225.

FAMILIES PAY PART OF THE COST OF SERVICES UNDER THE CAP-MR/DD PROGRAM AND THE CAP-CHILDREN'S PROGRAM BASED ON FAMILY INCOME

SECTION 10.65.(a) Subject to approval from the Centers for Medicare and Medicaid Services (CMS), the Department of Health and Human Services, Division of Medical

Assistance, shall, in consultation with the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, and Community Alternatives Program (CAP) stakeholders, develop a schedule of cost-sharing requirements for families of children with incomes above the Medicaid allowable limit to share in the costs of their child's Medicaid expenses under the CAP-MR/DD (Community Alternatives Program for Mental Retardation and Developmentally Disabled) and the CAP-C (Community Alternatives Program for Children). The cost-sharing amounts shall be based on a sliding scale of family income and shall take into account the impact on families with more than one child in the CAP programs. In developing the schedule, the Department shall also take into consideration how other states have implemented cost-sharing in their CAP programs. The Division of Medical Assistance may establish monthly deductibles as a means of implementing this cost-sharing. The Department shall provide for at least one public hearing and other opportunities for individuals to comment on the imposition of cost-sharing under the CAP program schedule.

SECTION 10.65.(b) The Division of Medical Assistance shall also, in collaboration with the Controller's Office of the Department of Health and Human Services, the Division of Information Resource Management (DIRM), and the new vendor of the replacement Medicaid Management Information System, develop business rules, program policies and procedures, and define relevant technical requirements.

SECTION 10.65.(c) Prior to seeking approval from CMS, but not later than October 1, 2009, the Department shall report to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs, and 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. The report shall include a summary of comments the Department has received at the public hearing, business rules, policies and procedures, and technical requirements of the initiative and shall also indicate any barriers to implementing the cost-sharing.

PREFERRED DRUG LIST PROGRAM

SECTION 10.66.(a) In the event insufficient savings are realized from enhancing the utilization management of the Prescription Advantage List, increasing the utilization of generic drugs in place of brand-name drugs and increasing rebate collections on generic drugs, the Department of Health and Human Services shall establish and implement a preferred drug list program under the Division of Medical Assistance. The Department shall submit a medical assistance State Plan amendment to the Centers for Medicare and Medicaid Services (CMS) of the United States Department of Health and Human Services to implement the program.

SECTION 10.66.(b) The pharmaceutical and therapeutics committee of the Physician's Advisory Group (PAG) shall provide ongoing review of the preferred drug list. Members of the committee shall submit conflict of interest disclosure statements to the Department and shall have an ongoing duty to disclose conflicts of interest not included in the original disclosure.

SECTION 10.66.(c) The Department, in consultation with the PAG, shall adopt and publish policies and procedures relating to the preferred drug list, including:

(1) Guidelines for the presentation and review of drugs for inclusion on the preferred drug list,
(2) The manner and frequency of audits of the preferred drug list for appropriateness of patient care and cost-effectiveness,
(3) An appeals process for the resolution of disputes, and
(4) Such other policies and procedures as the Department deems necessary and appropriate.

The Department and the pharmaceutical and therapeutics committee shall consider all therapeutic classes of prescription drugs for inclusion on the preferred drug list, except medications for treatment of human immunodeficiency virus or acquired immune deficiency syndrome shall not be subject to consideration for inclusion on the preferred drug list.

The Department shall maintain an updated preferred drug list in electronic format and shall make the list available to the public on the Department's Internet Web site.

The Department shall: (i) enter into a multistate purchasing pool; (ii) negotiate directly with manufacturers or labelers; (iii) contract with a pharmacy benefit manager for negotiated discounts or rebates for all prescription drugs under the medical assistance program; or (iv) effectuate any combination of these options in order to achieve the lowest available price for such drugs under such program.

The Department may negotiate supplemental rebates from manufacturers that are in addition to those required by Title XIX of the federal Social Security Act. The committee shall consider a product for inclusion on the preferred drug list if the manufacturer provides a supplemental rebate. The Department may procure a sole source contract with an outside entity or contractor to conduct negotiations for supplemental rebates.

SECTION 10.66.(d) This section becomes effective if the Department cannot demonstrate by June 1, 2010, that twenty million seven hundred ninety-one thousand two hundred sixty-four dollars ($20,791,264) in prescription drug savings have been realized by employing the methods outlined in subsection (a) of this section.

MEDICAID APPEALS/FUNDS DO NOT REVERT

SECTION 10.67. Funds transferred from the Department of Health and Human Services to the Office of Administrative Hearings in the 2008-2009 fiscal year for mediation services shall not revert to the General Fund on June 30, 2009, but shall remain in the Office of Administrative Hearings for the purposes for which the funds were transferred.

CLARIFYING CHANGES TO STATE MEDICAID RESPONSIBILITIES

SECTION 10.68. Consistent with Sections 31.16.1(c) and (d) of S.L. 2007-323 that require the State to assume responsibility for the nonfederal share of the costs of medical services provided under the Medicaid Program starting June 1, 2009, the counties shall neither bear any responsibility for settlement payments to providers nor refunds of expenditures for program service claims paid on or before June 1, 2009. Counties will continue to participate in their share of administrative costs.

CO-PAYMENTS FOR TICKET TO WORK

SECTION 10.69. G.S. 108A-54.1(d) reads as rewritten:

"**§ 108A-54.1. Medicaid buy-in for workers with disabilities.**

...

(d) Fees, Premiums, and Co-Payments. – Individuals who participate in HCWD and have countable income greater than one hundred fifty percent (150%) of FPG shall pay an annual enrollment fee of fifty dollars ($50.00) to their county department of social services. Individuals who participate in HCWD and have countable income greater than or equal to two hundred percent (200%) of FPG shall pay a monthly premium in addition to the annual fee. The Department shall set a sliding scale for premiums, which is consistent with applicable federal law. An individual with countable income equal to or greater than four hundred fifty percent (450%) of FPG shall pay not less than one hundred percent (100%) of the cost of the premium, as determined by the Department. The premium shall be based on the experience of all individuals participating in the Medical Assistance Program. Individuals who participate in HCWD are subject to co-payments equal to those required under the ~~North Carolina Health Choice Program.~~ Medical Assistance Program."

MEDICAID FALSE CLAIMS

SECTION 10.70.(a) G.S. 108A-70.11(5) reads as rewritten:

"(5) "Medical Assistance Program" means the Medical Assistance Program established pursuant to G.S. 108A-54 and includes the North Carolina Division of Medical Assistance and or its fiscal agent."

SECTION 10.70.(b) G.S. 108A-70.12(a) reads as rewritten:

"**§ 108A-70.12. Liability for certain acts; damages; effect of repayment.**

(a) Liability for Certain Acts. – It shall be unlawful for any provider of medical assistance under the Medical Assistance Program ~~to:~~to do any of the following:

(1) Knowingly present, or cause to be presented to the Medical Assistance Program a false or fraudulent claim for payment or ~~approval; or~~ approval.

(2) Knowingly make, use, or cause to be made or used a false record or statement to get a false or fraudulent claim paid or approved by the Medical Assistance ~~Program.~~Program.

(3) Conspire to defraud the Medical Assistance Program by obtaining a false or fraudulent claim allowed or paid.

(4) Knowingly make, use, or cause to be made or used, a false record or statement to conceal, avoid, or decrease an obligation to pay or transmit money or property to the Medical Assistance Program. Each claim presented or caused to be presented in violation of this section is a separate violation."

SECTION 10.70.(c) G.S. 108A-70.12(b)(1) reads as rewritten:

"(b) Damages. –

(1) Except as provided in subdivision (2) of this subsection, a court shall assess against any provider of medical assistance under the Medical Assistance Program who violates this section a civil penalty of not less than five thousand five hundred dollars ~~($5,000)~~($5,500) and not more than ~~ten thousand dollars ($10,000)~~eleven thousand dollars ($11,000) plus three times the amount of damages which the ~~Medicaid~~ Medical Assistance Program sustained because of the act of the provider."

SECTION 10.70.(d) Article 2 of Chapter 108A of the General Statutes is amended by adding the following new Part to read:

"Part 7A. Civil Action by Private Persons for Provider False Claims.

"**§ 108A-70.17. Civil action filed by private persons.**

(a) A person may initiate a civil action for a violation of G.S. 108A-70.12 on behalf of the person and the State. The action shall be brought in the name of the State. The action may be dismissed prior to service of the complaint upon the defendant under subsection (c) of this section only if the court and the Attorney General have given written consent to the dismissal and their reasons for consenting.

(b) A copy of the complaint and written disclosure of substantially all material evidence and information the person possesses shall be served on the State. The complaint shall be filed in camera, shall remain under seal for at least 120 days, and shall not be served on the defendant until the court so orders. The State may elect to intervene and proceed with the action within 120 days after it receives both the complaint and the material evidence and information. The State may, for good cause shown, move the court for a partial lifting of the seal to facilitate the investigative process or settlement.

(c) The State may, for good cause shown, move the court for extensions of the time during which the complaint remains under seal. Any of these motions may be supported by affidavits or other submission in camera. The time period to respond to any complaint filed under this section shall commence 21 days after the complaint is unsealed and served upon the defendant.

(d) Before the expiration of the 120-day period or any extensions obtained under subsection (c) of this section, the State shall either proceed with the action, in which case the action shall be conducted by the State, or notify the court that it declines to take over the action, in which case the person initiating the action shall have the right to prosecute the action.

(e) When a person initiates an action under this section, no person other than the State may intervene or bring a related action based on the facts underlying the pending action. If another action is filed based on the facts underlying the pending action while the complaint is sealed under subsections (b) and (c) of this section, the court may consolidate the actions or dismiss the subsequent action.

"**§ 108A-70.17A. Rights of private plaintiff and State.**

(a) If the State proceeds with the action, it shall have the primary responsibility for prosecuting the action and shall not be bound by any act of the person initiating the action. The person bringing the action shall have the right to continue as a party to the action, subject to the limitations of this section.

(b) The State may dismiss the action notwithstanding the objections of the person initiating the action if the person has been notified by the State of the filing of the motion, and the court has provided the person with an opportunity for a hearing on the motion.

(c) The State may settle the action with the defendant notwithstanding the objections of the person initiating the action if the court determines, after a hearing, that the proposed settlement is fair, adequate, and reasonable under all the circumstances. Upon a showing of good cause, such hearing may be held in camera.

(d) If the State proceeds with the action, the court may, in its discretion, impose limitations on the person's participation in the litigation as set forth in subsection (e) of this section. Such limitations must be imposed after any of the following:

(1) A showing by the State that unrestricted participation during the course of the litigation by the person initiating the action would interfere with or unduly delay the State's prosecution of the case, or would be repetitious, irrelevant, or for purposes of harassment.

(2) A showing by the defendant that unrestricted participation during the course of the litigation by the person initiating the action would be for purposes of harassment or would cause the defendant undue burden or unnecessary expense.

(e) Limitations on participation of the person initiating the action shall include all of the following:

(1) Limiting the number of witnesses the person may call.

(2) Limiting the length of the testimony of such witnesses.

(3) Limiting the person's cross-examination of witnesses.

(4) Other limits on the participation by the person initiating the action in the litigation as the court deems appropriate.

(f) If the State elects not to proceed with the action, the person who initiated the action shall have the right to conduct the action. If the State so requests, it shall be served with copies of all pleadings filed in the action and shall be supplied with copies of all deposition transcripts at the State's expense. When a person initiating the action proceeds with the action, the court, without limiting the status and rights of the person initiating the action, may nevertheless permit the State to intervene at a later date upon a showing of good cause.

(g) Whether or not the State proceeds with the action, upon a showing by the State that certain actions of discovery by the person initiating the action would interfere with the State's investigation or prosecution of a criminal or civil matter arising out of the same facts, the court may stay the discovery for a period of not more than 60 days. The showing by the State shall be conducted in camera. The court may extend the 60-day period upon a further showing in camera that the State has pursued the criminal or civil investigation or proceedings with

reasonable diligence and any proposed discovery in the civil action will interfere with the ongoing criminal or civil investigation or prosecution of the criminal or civil matter.

(h) Notwithstanding G.S. 108A-70.17(b), the State may elect to pursue its claim through any alternate remedy available to the State, including any administrative proceeding to determine a civil money penalty. Any finding of fact or conclusion of law made in the alternate proceeding that has become final shall be conclusive on all parties to an action under this Part. For purposes of this subsection, a finding or conclusion is final if it has been finally determined on appeal by a court of competent jurisdiction of the State, if the time for filing an appeal with respect to the finding or conclusion has expired, or if the finding or conclusions are not subject to judicial review.

"**§ 108A-70.17B. Award to qui tam plaintiff.**

(a) Except as otherwise provided in this section, if the State proceeds with an action brought by a person under G.S. 108A-70.17, the person shall receive at least fifteen percent (15%) but not more than twenty-five percent (25%) of the proceeds of the action or settlement of the claim, if any, depending upon the extent to which the person substantially contributed to the prosecution of the action. The plaintiff's share in the proceeds of the action or settlement is administrative costs of the action. A share of the proceeds of an action or settlement of the claim shall not be awarded to the person initiating the action in State court under this Part if the person has received or may receive a share of the proceeds or settlement of an action or claim on the same facts brought in federal court. Where the action is one that the court finds to be based primarily on disclosures of specific information, other than information proved by the person initiating the action, relating to allegations or transactions in a criminal, civil, or administrative hearing, in a legislative, administrative, or State Auditor's report, hearing, audit, or investigation, or from the news media, the court may reduce the award under this subsection to such sums as it considers appropriate, but in no case more than ten percent (10%) of the proceeds of the action, taking into account the significance of the information and the role of the person initiating the action in advancing the case to litigation.

(b) If the State does not proceed with an action, the person initiating the action or settling the claim shall receive an amount that the court decides is reasonable for collecting the civil penalty and damages, if awarded. The amount shall be not less than twenty-five percent (25%) and not more than thirty percent (30%) of the proceeds of the action or settlement and shall be paid out of the proceeds.

(c) Notwithstanding subsections (a) and (b) of this section, if the person initiating the action is a person who primarily planned and initiated the violation of G.S. 108A-70.12 upon which the action was brought, that person shall be dismissed as a qui tam plaintiff and shall not receive any share of the proceeds of the action. If the person initiating the action is convicted of criminal conduct arising from the person's role in the violation of G.S. 108A-70.12, that person shall be dismissed from the civil action and shall not receive any share of the proceeds of the action. The dismissal shall not prejudice the right of the State to continue the action.

(d) If the State does not proceed with the action and the person initiating the action conducts the action, the court may award to the defendant its reasonable attorneys' fees and expenses if the defendant prevails in the action and if the court finds that the claim of the person bringing the action was clearly frivolous, clearly vexatious, or brought primarily for purposes of harassment.

"**§ 108A-70.17C. Certain actions barred.**

(a) No court shall have jurisdiction over an action brought under this Part based on information discovered by a present or former employee of the State or a political subdivision of the State during the course of the present or former employee's employment unless that employee first, in good faith, exhausted existing internal procedures for reporting and seeking recovery of the falsely claimed sums through official channels, and unless the State or political subdivision failed to act on the information provided within a reasonable period of time.

(b) In no event may a person bring an action under this Part that is based upon allegations or transactions that are the subject of a criminal action, civil action, or an administrative proceeding in which the State is already a party.

(c) No court shall have jurisdiction over an action under this Part based upon the public disclosure of allegations or transactions in a criminal, civil, or administrative hearing, in a legislative, administrative, or State Auditor's report, hearing, audit, or investigation, or from the news media, unless the action is brought by the Attorney General, or the person initiating the action is an original source of the information. For purposes of this section, "original source" means an individual who has direct and independent knowledge of the information on which the allegations are based and has voluntarily provided the information to the State before filing an action under this Part that is based on the information.

(d) The State is not liable for expenses a person incurs in bringing an action under this Part.

(e) G.S. 108A-70.14 and G.S. 108A-70.15 apply to this Part.

"**§ 108A-70.17D. Procedure; statute of limitations.**

(a) A civil action under this Part may not be brought after the later of either of the following:

(1) More than six years after the date on which the violation is committed.

(2) More than three years after the date when facts material to the right of the action are known or reasonably should have been known by the official of the State charged with responsibility to act in the circumstances.

(b) If the civil action is brought under subdivision (a)(2) of this section, it may not be brought more than 10 years after the date on which the violation is committed."

SECTION 10.70.(e) G.S. 108A-70.15 reads as rewritten:

"**§ 108A-70.15. Employee remedies.**

(a) In the absence of fraud or malice, no person who furnishes information to officials of the State responsible for investigating false claims violations shall be liable for damages in a civil action for any oral or written statement made or any other action that is necessary to supply information required pursuant to this ~~Part.~~ Part or Part 7A of this Article.

(b) Any employee of a provider who is discharged, demoted, suspended, threatened, harassed, or in any other manner discriminated against in the terms and conditions of employment by the employee's employer because of lawful acts done by the employee on behalf of the employee or others in furtherance of an action under ~~G.S. 108A-70.12,~~ G.S. 108A-70.12, or Part 7A of this Article, including investigation for, initiation of, testimony for, or assistance in an action filed or to be filed under ~~G.S. 108A-70.12,~~ G.S. 108A-70.12, or Part 7A of this Article, shall be entitled to all relief necessary to make the employee whole. Relief shall include reinstatement with the same seniority status as the employee would have had but for the discrimination, two times the amount of back pay, interest on the back pay, and compensation for any special damages sustained as a result of the discrimination, including litigation costs and reasonable attorneys' fees. An employee may bring an action in the appropriate court for the relief provided in this section."

SECTION 10.70.(f) Provided that the Medicaid False Claims State legislation is adopted, and the State legislation meets federal Center for Medicare and Medicaid Services criteria to receive ten percent (10%) bonuses subject to the False Claims Act, the Department of Health and Human Services, Division of Medical Assistance, shall transfer three hundred fifty-two thousand one hundred thirty-six dollars ($352,136) in fiscal year 2010-2011, and each year thereafter, to fund five permanent staff positions at the Attorney General's Office necessary to implement the Medicaid False Claims Act.

SECTION 3.(g) This section becomes effective December 1, 2009, and applies to offenses committed, or civil actions accruing, on or after that date.

PROVIDER RATES

SECTION 10.71. The Department of Health and Human Services shall freeze rates for fiscal year 2009-2010 for most Medicaid providers at the level authorized in fiscal year 2008-2009. The rate freeze applies to all Medicaid private and public providers with the following exceptions: federally qualified health clinics, rural health centers, State institutions, outpatient hospital, pharmacy, and the noninflationary components of the case-mix reimbursement system for nursing facilities. Medicaid rates predicated upon Medicare fee schedules shall follow Medicare reductions but not Medicare increases unless federally required. Inflationary increases for Medicaid providers paying provider fees (private ICF-MRs and nursing facilities) can occur if the State share of the increases can be funded with provider fees.

MEDICAID WAIVER FOR LOW-INCOME PERSONS WITH HIV

SECTION 10.72. The Department of Health and Human Services, Division of Medical Assistance, shall study whether to apply to the Centers for Medicare and Medicaid Services (CMS) for a 1115 waiver to permit individuals who test positive for HIV and have incomes at or below two hundred percent (200%) of the federal poverty level to access Medicaid services. The study shall determine the number of people who may be eligible, and the financial, programmatic, and technical impact of the waiver. The Department shall report on the results of its study of the waiver 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 December 31, 2009.

MAINTAIN MEDICAID ELIGIBILITY

SECTION 10.73. The Department of Health and Human Services, Division of Medical Assistance, shall study policies that will prevent a Medicaid recipient from losing Medicaid eligibility when the annual Social Security and Railroad Retirement Cost of Living Adjustments (COLAs) and the annual Federal Poverty Level adjustment cause a Medicaid recipient to become income-ineligible for Medicaid. The policies shall apply only in cases where Medicaid income eligibility is affected only by Social Security and Railroad Retirement COLAs and Federal Poverty Level adjustments and shall not render a Medicaid recipient eligible if all other eligibility requirements are not met. The Department shall report the results of the study 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 December 31, 2009. The Department shall also study policies that allow individuals who are at or marginally above Medicaid income limits to buy-in to Medicaid coverage on a sliding fee scale.

REDUCE INFANT MORTALITY AND PRETERM BIRTHS

SECTION 10.74.(a) The Department of Health and Human Services, Division of Medical Assistance, shall seek a Medicaid 1115 waiver or implement other available Medicaid options to provide interconceptional coverage to low-income women with incomes below one hundred eighty-five percent (185%) of the federal poverty guidelines who have given birth to a high-risk infant. A high-risk infant is defined as weighing less than 1500 grams, is born less than 34 weeks gestation, is born with a congenital anomaly, or who has died within the first 28 days of life.

SECTION 10.74.(b) Interconceptional care shall be limited to two years following the birth of a high-risk infant, or until a subsequent birth, whichever comes first.

SECTION 10.74.(c) The Division is authorized to develop a benefit package to improve interconceptional care to decrease poor birth outcomes in subsequent pregnancies.

SECTION 10.74.(d) The Division shall provide estimates of the cost savings from improved birth outcomes that will offset the cost of providing Medicaid coverage to this targeted population. The Division shall report the status of the waiver 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 October 1, 2009. The Division shall not implement the waiver unless authorized by an act of the General Assembly.

NC NOVA

SECTION 10.75. The Department of Health and Human Services, Division of Health Services Regulation, may use up to eighty-eight thousand dollars ($88,000) for fiscal year 2009-2010 and ninety-three thousand seven hundred dollars ($93,700) for fiscal year 2010-2011 of existing resources to continue the NC New Organizational Vision Award certification program. The Division shall use federal civil monetary penalty receipts as a source of support for this initiative, when appropriate.

DHSR LICENSE FEE INCREASES

SECTION 10.76.(a) G.S. 131D-2(b) reads as rewritten:

"**§ 131D-2. Licensing of adult care homes for the aged and disabled.**

(b) Licensure; inspections. –

(1) The Department of Health and Human Services shall inspect and license, under rules adopted by the Medical Care Commission, all adult care homes for persons who are aged or mentally or physically disabled except those exempt in subsection (c) of this section. Licenses issued under the authority of this section shall be valid for one year from the date of issuance unless revoked earlier by the Secretary for failure to comply with any part of this section or any rules adopted hereunder. Licenses shall be renewed annually upon filing and the Department's approval of the renewal application. The Department shall charge each adult care home with six or fewer beds a nonrefundable annual license fee in the amount of ~~two hundred fifty dollars ($250.00).~~three hundred fifteen dollars ($315.00). The Department shall charge each adult care home with more than six beds a nonrefundable annual license fee in the amount of ~~three hundred fifty dollars ($350.00)~~three hundred sixty dollars ($360.00) plus a nonrefundable annual per-bed fee of ~~twelve dollars and fifty cents ($12.50)~~seventeen dollars and fifty cents ($17.50)."

SECTION 10.76.(b) G.S. 131E-147 reads as rewritten:

"**§ 131E-147. Licensure requirement.**

(a) No person shall operate an ambulatory surgical facility without a license obtained from the Department.

(b) Applications shall be available from the Department, and each application filed with the Department shall contain all necessary and reasonable information that the Department may by rule require. A license shall be granted to the applicant upon a determination by the Department that the applicant has complied with the provisions of this Part and the rules promulgated by the Commission under this Part. The Department shall charge the applicant a nonrefundable annual base license fee in the amount of ~~seven hundred dollars ($700.00)~~eight hundred fifty dollars ($850.00) plus a nonrefundable annual per-operating room fee in the amount of ~~fifty dollars ($50.00).~~seventy-five dollars ($75.00)."

SECTION 10.76.(c) G.S. 131E-167(a) reads as rewritten:

"**§ 131E-167. Certificate requirement.**

(a) Applications for certification shall be available from the Department, and each application filed with the Department shall contain all necessary and reasonable information that the Department may by rule require. A certificate shall be granted to the applicant for a period not to exceed one year upon a determination by the Department that the applicant has substantially complied with the provisions of this Article and the rules promulgated by the Department under this Article. The Department shall charge the applicant a nonrefundable annual certification fee in the amount of ~~two hundred fifty dollars ($250.00).~~three hundred eighty-five dollars ($385.00)."

SECTION 10.76.(d) G.S. 131E-138(c) reads as rewritten:

"**§ 131E-138. Licensure requirements.**

(c) An application for a license shall be available from the Department, and each application filed with the Department shall contain all information requested by the Department. A license shall be granted to the applicant upon a determination by the Department that the applicant has complied with the provisions of this Part and the rules promulgated by the Commission under this Part. The Department shall charge the applicant a nonrefundable annual license fee in the amount of ~~four hundred dollars ($400.00).~~five hundred ten dollars ($510.00)."

SECTION 10.76.(e) G.S. 131E-77 reads as rewritten:

"**§ 131E-77. Licensure requirement.**

(a) No person or governmental unit shall establish or operate a hospital in this state without a license. An infirmary is not required to obtain a license under this Part.

(b) The Commission shall prescribe by rule that any licensee or prospective applicant seeking to make specified types of alteration or addition to its facilities or to construct new facilities shall submit plans and specifications before commencement to the Department for preliminary inspection and approval or recommendations with respect to compliance with the applicable rules under this Part.

(c) An applicant for licensing under this Part shall provide information related to hospital operations as requested by the Department. The required information shall be submitted by the applicant on forms provided by the Department and established by rule.

(d) The Department shall renew each license in accordance with the rules of the Commission. The Department shall charge the applicant a nonrefundable annual base license fee plus a nonrefundable annual per-bed fee as follows:

Facility Type	Number of Beds	Base Fee	Per-Bed Fee
General Acute Hospitals:	1-49 beds	$250.00	~~$12.50~~ $17.50
	50-99 beds	$350.00	~~$12.50~~ $17.50
	100-199 beds	$450.00	~~$12.50~~ $17.50
	200-399 beds	$550.00	~~$12.50~~ $17.50
	400-699 beds	$750.00	~~$12.50~~ $17.50
	700+ beds	$950.00	~~$12.50~~ $17.50
Other Hospitals:		$500.00	~~$12.50~~ $17.50

(e) The Department shall issue the license to the operator of the hospital who shall not transfer or assign it except with the written approval of the Department. The license shall designate the number and types of inpatient beds, the number of operating rooms, and the number of gastrointestinal endoscopy rooms.

(f) The operator shall post the license on the licensed premises in an area accessible to the public."

SECTION 10.76.(f) G.S. 122C-23(h) reads as rewritten:

"(h) The Department shall charge facilities licensed under this Chapter 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~~ $215.00	$0
	1 to 6 beds	~~$250.00~~ $305.00	$0
	More than 6 beds	~~$350.00~~ $475.00	~~$12.50~~ $17.50
ICF/MR Only:	1 to 6 beds	~~$650.00~~ $845.00	$0
	More than 6 beds	~~$650.00~~ $800.00	~~$12.50~~ $17.50"

SECTION 10.76.(g) G.S. 131E-102(b) reads as rewritten:

"(b) Applications shall be available from the Department, and each application filed with the Department shall contain all necessary and reasonable information that the Department may by rule require. A license shall be granted to the applicant upon a determination by the Department that the applicant has complied with the provisions of this Part and the rules promulgated under this Part. The Department shall charge the applicant a nonrefundable annual license fee in the amount of ~~four hundred fifty dollars ($450.00)~~ four hundred twenty dollars ($420.00) plus a nonrefundable annual per-bed fee of ~~twelve dollars and fifty cents ($12.50)~~ seventeen dollars and fifty cents ($17.50)."

DHSR INITIAL LICENSURE FEES NEW FACILITIES

SECTION 10.77. Article 16 of Chapter 131E of the General Statutes is amended by adding the following new section to read:

"**§ 131E-272. Initial licensure fees for new facilities.**

The following fees are initial licensure fees for new facilities and are applicable as follows:

Facility Type	Number of Beds	Initial License Fee	Initial Bed Fee
Adult Care Licensure	More than 6	$400.00	$19.00
	6 or Fewer	$350.00	$ -
Acute and Home Care			
General Acute Hospitals	1-49	$550.00	$19.00
	50-99	$750.00	$19.00
	100-199	$950.00	$19.00
	200-399	$1150.00	$19.00
	400-699	$1550.00	$19.00
	700+	$1950.00	$19.00
Other Hospitals		$1050.00	$19.00
Home Care	-	$560.00	$ -
Ambulatory Surgical Ctrs.	-	$900.00	$85.00
Hospice (Free Standing)	-	$450.00	$ -
Abortion Clinics	-	$750.00	$ -
Cardiac Rehab. Centers	-	$425.00	$ -
Nursing Home & L&C			
Nursing Homes		$470.00	$19.00
All Others		$ -	$19.00
Mental Health Facilities			
Nonresidential		$265.00	$ -
Non ICF-MR	6 or fewer	$350.00	$ -
ICF-MR only	6 or fewer	$900.00	$ -

Non ICF-MR	More than 6	$525.00	$19.00
ICF-MR only	More than 6	$850.00	$19.00."

DHHS BLOCK GRANTS

SECTION 10.78.(a) Appropriations from federal block grant funds are made for the fiscal year ending June 30, 2010, 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)	$87,518,579
02.	Work First County Block Grants	94,453,315
03.	Child Protective Services – Child Welfare Workers for Local DSS	14,452,391
04.	Work First – Boys and Girls Clubs	800,000
05.	Work First – Connect, Inc.	67,523
06.	Child Welfare Collaborative	887,517

Division of Child Development

07.	Subsidized Child Care Program	61,087,077

Division of Public Health

08.	Teen Pregnancy Prevention Initiatives	450,000

DHHS Administration

09.	Division of Social Services	1,093,176
10.	Office of the Secretary	75,392
11.	Office of the Secretary/DIRM – TANF Automation Projects	720,000
12.	Office of the Secretary/DIRM – NC FAST Implementation	1,200,000

Transfers to Other Block Grants

Division of Child Development

13.	Transfer to the Child Care and Development Fund	84,330,900
	Division of Social Services	
14.	Transfer to Social Services Block Grant for Child Protective Services – Child Welfare Training in Counties	2,550,000
15.	Transfer to Social Services Block Grant for Maternity Homes	60,503
16.	Transfer to Social Services Block Grant for Teen Pregnancy Prevention Initiatives	2,500,000
17.	Transfer to Social Services Block Grant for County Departments of Social Services for Children's Services	4,500,000
18.	Transfer to Social Services Block Grant for Foster Care Services	390,000
19.	Transfer to Social Services Block Grant for Medically Fragile Children	260,000
	TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) BLOCK GRANT	$357,396,373
	TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) CONTINGENCY FUNDS BLOCK GRANT	
	Local Program Expenditures	
	Division of Social Services	
01.	Work First Family Assistance (Cash Assistance)	$1,857,193
02.	Work First – Boys and Girls Clubs	1,200,000
03.	Work First – Afterschool Services For At-Risk Children	1,229,785
04.	Work First – Afterschool Programs For At-Risk Youth in Middle Schools	300,000
05.	Work First – Connect, Inc. (Work Central)	301,025
06.	Work First – Citizens Schools Program	360,000
07.	County Demonstration Grants	3,239,789
08.	Adoption Services – Special Children's Adoption Fund	3,000,000

09.	Family Violence Prevention	2,200,000
10.	Child Welfare Collaborative	987,995
11.	Work First Functional Assessment	600,000
12.	Electing County State Funding Swap Out	2,378,213
13.	State Subsidized Child Care Funding Swap	12,452,484
TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) CONTINGENCY FUNDS BLOCK GRANT		$30,106,484

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	243,121
05.	Foster Care Services (Transfer from TANF – $390,000)	2,372,619
06.	Maternity Homes (Transfer from TANF – $60,503)	943,002
07.	Special Children Adoption Incentive Fund	500,000
08.	Child Protective Services-Child Welfare Training for Counties (Transfer from TANF)	2,550,000

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 and 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 Community Health Program	188,263
	Division of Public Health	
15.	Teen Pregnancy Prevention Initiatives (Transfer from TANF)	2,500,000
16.	Services for Medically Fragile Children (Transfer from TANF – $260,000)	360,000
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	3,714,211
	Division of Health Service Regulation	
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	688,436
22.	Division of Social Services	892,624
23.	Office of the Secretary/Controller's Office	138,058
24.	Office of the Secretary/DIRM	87,483
25.	Division of Child Development	15,000
26.	Division of Mental Health, Developmental	

	Disabilities, and Substance Abuse Services	29,665
27.	Division of Health Service Regulation	235,625
28.	Office of the Secretary-NC Inter-Agency Council For Coordinating Homeless Programs	250,000
29.	Office of the Secretary	48,053
Transfers to Other State Agencies		
Department of Administration		
30.	NC Commission of Indian Affairs In-Home Services for the Elderly	203,198
Transfers to Other Block Grants		
Division of Public Health		
31.	Transfer to Preventive Health Services Block Grant For HIV/STD Prevention and Community Planning	145,819
TOTAL SOCIAL SERVICES BLOCK GRANT		$ 63,735,946
LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT		
Local Program Expenditures		
Division of Social Services		
01.	Low-Income Energy Assistance Program (LIEAP)	$ 25,909,124
02.	Crisis Intervention Program (CIP)	20,224,269
Office of the Secretary – Office of Economic Opportunity		
03.	Weatherization Program	1,000,000
04.	Heating Air Repair & Replacement Program (HARRP)	3,385,583
Local Administration		
Division of Social Services		
05.	County DSS Administration	3,608,360
Office of the Secretary – Office of Economic Opportunity		
06.	Local Residential Energy Efficiency Service Providers – Weatherization	420,035

07. Local Residential Energy Efficiency Service Providers – HARRP	195,910
DHHS Administration	
08. Division of Social Services	275,000
09. Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	8,128
10. Office of the Secretary/DIRM	269,935
11. Office of the Secretary/Controller's Office	12,332
12. Office of the Secretary/Office of Economic Opportunity – Weatherization	294,874
13. Office of the Secretary/Office of Economic Opportunity – HARRP	137,574
Transfers to Other State Agencies	
14. Department of Administration – N.C. State Commission of Indian Affairs	67,042
TOTAL LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT	$ 55,808,166
CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT	
Local Program Expenditures	
Division of Child Development	
01. Subsidized Child Care Services (CCDF)	$144,097,307
02. Contract Subsidized Child Care Services Support	507,617
03. Subsidized Child Care Services (Transfer from TANF)	84,330,900
04. Quality and Availability Initiatives	20,760,876
05. T.E.A.C.H. Program	3,800,000
Division of Social Services	
06. Local Subsidized Child Care Services Support	$16,594,417
DHHS Administration	

Division of Child Development	
07. DCD Administrative Expenses	6,539,277
Division of Central Administration	
08. DHHS Central Administration – DIRM Technical Services	763,356
TOTAL CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT	$277,393,750

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT RECEIVED THROUGH THE AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)

Local Program Expenditures	
Division of Child Development	
01. Subsidized Child Care Services (CCDF) (High Quality Four-Year-Old Classrooms)	$53,993,329
02. Contract Subsidized Child Care Services Support	29,030
DHHS Program Expenditures	
Division of Child Development	
03. Quality and Availability Initiatives	11,519,144
Local Administration	
Division of Social Services	
04. Subsidy Services Support	2,001,631
TOTAL CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT RECEIVED THROUGH ARRA	$67,543,143

MENTAL HEALTH SERVICES BLOCK GRANT

Local Program Expenditures	
01. Mental Health Services – Adult	$ 5,977,762
02. Mental Health Services – Child	3,921,991
03. Comprehensive Treatment Service Program	1,500,000
04. Mental Health Services – UNC School of Medicine,	

Department of Psychiatry	300,000
TOTAL MENTAL HEALTH SERVICES BLOCK GRANT	$ 11,699,753
SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT	
Local Program Expenditures	
Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	
01. Substance Abuse Services – Adult	$ 22,258,080
02. Substance Abuse Treatment Alternative for Women	8,069,524
03. Substance Abuse – HIV and IV Drug	5,116,378
04. Substance Abuse Prevention – Child	7,186,857
05. Substance Abuse Services – Child	4,940,500
06. Implementation – Institute of Medicine's Study Recommendations	250,000
Division of Public Health	
07. Risk Reduction Projects	633,980
08. Aid-to-Counties	209,576
09. Maternal Health	37,779
TOTAL SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT	$ 48,702,674
MATERNAL AND CHILD HEALTH BLOCK GRANT	
Local Program Expenditures	
Division of Public Health	
01. Children's Health Services	7,534,865
02. Women's Health	7,701,691
03. Oral Health	38,041
DHHS Program Expenditures	
Division of Public Health	

04. Children's Health Services	1,359,636
05. Women's Health	135,452
06. State Center for Health Statistics	179,483
07. Quality Improvement in Public Health	14,646
08. Health Promotion	88,746
09. Office of Minority Health	55,250
10. Immunization Program – Vaccine Distribution	382,648
DHHS Administration	
Division of Public Health	
11. Division of Public Health Administration	631,966
TOTAL MATERNAL AND CHILD HEALTH BLOCK GRANT	$ 18,122,424
PREVENTIVE HEALTH SERVICES BLOCK GRANT	
Local Program Expenditures	
Division of Public Health	
01. NC Statewide Health Promotion	$1,730,653
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	
Division of Public Health	
04. NC Statewide Health Promotion	1,699,044
05. Oral Health	70,000
06. State Laboratory of Public Health	16,600
TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT	$3,859,228
COMMUNITY SERVICES BLOCK GRANT	

Local Program Expenditures	
Office of Economic Opportunity	
01. Community Action Agencies	$ 16,673,336
02. Limited Purpose Agencies	926,297
DHHS Administration	
03. Office of Economic Opportunity	926,296
TOTAL COMMUNITY SERVICES BLOCK GRANT	$ 18,525,929

COMMUNITY SERVICES BLOCK GRANT RECEIVED THROUGH THE AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)

Local Program Expenditures	
Office of Economic Opportunity	
01. Community Action Agencies	$ 20,558,585
02. Limited Purpose Agencies	1,093,541
DHHS Administration	
03. Office of Economic Opportunity	218,709
TOTAL COMMUNITY SERVICES BLOCK GRANT RECEIVED THROUGH ARRA	$ 21,870,834

GENERAL PROVISIONS

SECTION 10.78.(b) 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.

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.

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

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

SECTION 10.78.(c) Appropriations from federal block grant funds are made for the fiscal year ending June 30, 2010, according to the schedule enacted for State fiscal year 2009-2010 or until a new schedule is enacted by the General Assembly.

SECTION 10.78.(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 Grants shall be reported immediately to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division. This subsection does not apply to Block Grant changes caused by legislative salary increases and benefit adjustments.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES BLOCK GRANT (TANF)

SECTION 10.78.(e) The sum of one million ninety-three thousand one hundred seventy-six dollars ($1,093,176) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2009-2010 fiscal year shall be used to support administration of TANF-funded programs.

SECTION 10.78.(f) The sum of two million two hundred thousand dollars ($2,200,000) appropriated under this section in TANF Contingency funds to the Department of Health and Human Services, Division of Social Services, for the 2009-2010 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, 2009. 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, 2009, 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, 2009. The Division of Social Services may reallocate unspent funds to counties that submit a written request for additional funds.

SECTION 10.78.(g) The sum of one million two hundred twenty-nine thousand seven hundred eighty-five dollars ($1,229,785) appropriated in this section in TANF Contingency funds to the Department of Health and Human Services, Division of Social Services, for the 2009-2010 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 10.78.(h) The sum of fourteen million four hundred fifty-two thousand three hundred ninety-one dollars ($14,452,391) appropriated in this section to the Department of Health and Human Services, Division of Social Services, in the TANF Block Grant for the 2009-2010 fiscal year for child welfare improvements shall be allocated to the county departments of social services for hiring or contracting staff to investigate and provide services in Child Protective Services cases; to provide foster care and support services; to recruit, train, license, and support prospective foster and adoptive families; and to provide interstate and post-adoption services for eligible families.

SECTION 10.78.(i) The sum of three million dollars ($3,000,000) appropriated in this section in TANF Contingency funds to the Department of Health and Human Services, Special Children Adoption Fund, for the 2009-2010 fiscal year shall be used in accordance with G.S. 108A-50.2, as enacted in **Section ## 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 10.78.(j) The sum of one million two hundred thousand dollars ($1,200,000) in this section appropriated to the Department of Health and Human Services in the TANF Block Grant for the 2009-2010 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, 2010.

SECTION 10.78.(k) The sum of three hundred thousand dollars ($300,000) appropriated in this section to the Department of Health and Human Services, Division of Social Services, in TANF Contingency funds for the 2009-2010 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 10.78.(l) In implementing the TANF Block Grants, 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 10.78.(m) The sum of sixty-seven thousand five hundred twenty-three dollars ($67,523) appropriated in this section to the Department of Health and Human Services in the TANF Block Grant and the sum of three hundred one thousand twenty-five dollars ($301,025) appropriated in this section to the Department in TANF Contingency funds for the 2009-2010 fiscal year shall be transferred to Connect, Inc. Connect, 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 Connect, 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 Connect, 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, 2010.

SECTION 10.78.(n) The sum of eight hundred thousand dollars ($800,000) appropriated in this section to the Department of Health and Human Services in the TANF Block Grant and the sum of one million two hundred thousand dollars ($1,200,000) appropriated in this section to the Department in TANF Contingency funds for Boys and Girls Clubs for the 2009-2010 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 TANF 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 10.78.(o) The Department of Health and Human Services, Division of Social Services, shall continue implementing county demonstration grants that began in the 2006-2007 fiscal year. The county demonstration grants may be awarded for up to three years with all projects ending no later than the end of fiscal year 2009-2010. The purpose of the county demonstration grants is to identify best practices that can be used by counties to improve the work participation rates. 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 2009-2010.

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.

The Department of Health and Human Services, Division of Social Services, shall report on the status of county demonstration grants implemented pursuant to 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 February 1, 2010.

SECTION 10.78.(p) The sum of one million eight hundred seventy-five thousand five hundred twelve dollars ($1,875,512) appropriated in this section to the Department of Health and Human Services in the TANF Block Grant and in TANF Contingency funds for the 2009-2010 fiscal year shall be used to continue support for the Child Welfare Collaborative.

SOCIAL SERVICES BLOCK GRANT

SECTION 10.78.(q) 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 10.78.(r) 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 2009-2010 fiscal year to support various child welfare training projects as follows:

(1) Provide a regional training center in southeastern North Carolina.

(2) Provide training for residential child caring facilities.

(3) Provide for various other child welfare training initiatives.

SECTION 10.78.(s) The sum of nine hundred forty-three thousand two dollars ($943,002) appropriated in this section to the Department of Health and Human Services in the Social Services Block Grant for the 2009-2010 fiscal year shall be used to support payments to maternity home providers.

SECTION 10.78.(t) The sum of three hundred sixty thousand dollars ($360,000) appropriated in this section to the Department of Health and Human Services, Division of Public Health, in the Social Services Block Grant for the 2009-2010 fiscal year shall be used to continue support for the Medically Fragile Children program.

SECTION 10.78.(u) The sum of two million three hundred seventy-two thousand six hundred nineteen dollars ($2,372,619) appropriated in this section in the Social Services Block Grant for child caring agencies for the 2009-2010 fiscal year shall be allocated to the State Private Child Caring Agencies Fund.

SECTION 10.78.(v) The Department of Health and Human Services is authorized, subject to the approval of the Office of State Budget and Management, to transfer Social Services Block Grant funding allocated for departmental administration between divisions that have received administrative allocations from the Social Services Block Grant.

SECTION 10.78.(w) Social Services Block Grant funds appropriated for the Special Children's Adoption Incentive Fund will require fifty percent (50%) local match.

LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT

SECTION 10.78.(x) Additional emergency contingency funds received may be allocated for Energy Assistance Payments or Crisis Intervention Payments without prior consultation with the Joint Legislative Commission on Governmental Operations. Additional funds received shall be reported to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division upon notification of the award. The Department of Health and Human Services shall not allocate funds for any activities, including increasing administration, other than assistance payments, without prior consultation with the Joint Legislative Commission on Governmental Operations.

In addition to funds available for weatherization appropriated within the Low-Income Home Energy Assistance Block Grant, funds available through the American Recovery and Reinvestment Act shall be used to continue to enhance weatherization activities coordinated by local agencies.

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT

SECTION 10.78.(y) Payment for subsidized child care services provided with federal TANF funds shall comply with all regulations and policies issued by the Division of Child Development for the subsidized child care program.

SECTION 10.78.(z) 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.

SECTION 10.78.(aa) Funds from the Child Care and Development Fund Block Grant and Child Care and Development Fund Block Grant received through the American Recovery and Reinvestment Act shall be used to increase access to child care subsidy. To help address the economic downturn and increasing unemployment in North Carolina, the Department of Health and Human Services, Division of Child Development shall adopt temporary policies that facilitate and expedite the prudent expenditure of these funds as follows:

(1) Permit the local purchasing agencies to issue time-limited vouchers to assist counties in managing one-time, nonrecurring subsidy funding.

(2) Extend the current 30/60 day job search policy to six months when a recipient experiences a loss of employment.

(3) Provide an upfront job search period of six months for former recipients who have lost employment since October 1, 2008.

(4) Provide a job search period of six months for recipients that complete school and are entering the job market.

(5) Notwithstanding any other provision of law, extend the 24-month education time limit for an additional 12 months for a child care recipient who has lost a job since October 1, 2008, or otherwise needs additional training to enhance his or her marketable skills for job placement due to the economic downturn and who has depleted his or her 24-month allowable education time.

(6) Lower the number of hours a parent must be working in order to be eligible for subsidy to assist parents who are continuing to work but at reduced hours.

SECTION 10.78.(bb) If American Recovery and Reinvestment Act 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 10.78.(cc) 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 2009-2010 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 2009-2010 fiscal year shall be used to continue a Comprehensive Treatment Services Program for Children.

MATERNAL AND CHILD HEALTH BLOCK GRANT

SECTION 10.78.(dd) 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 2009-2010 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 10.78.(ee) The Department of Health and Human Services shall ensure that there will be follow-up testing in the Newborn Screening Program.

SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT

SECTION 10.78.(ff) The sum of two hundred fifty thousand dollars ($250,000) appropriated in this section in the Substance Abuse Prevention and Treatment Block Grant to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the 2009-2010 fiscal year shall be used to implement one or more priority recommendations of the North Carolina Institute of Medicine (NCIOM) Substance Abuse Task Force, which include:

(1) Development of a comprehensive substance abuse prevention plan for use at the State and local levels.

(2) Providing funding for the establishment of six pilot projects to implement county or multicounty comprehensive prevention plans.

(3) Supporting efforts to reduce high-risk drinking on college campuses.

(4) Development of a pilot program to provide chronic disease management services to substance abuse clients and former clients. The purpose of the pilot is to decrease the number of short-term hospital admissions and to provide discharge planning and follow-up to reduce substance abuse client recidivism.

(5) Educating and encouraging health care professionals to use the screening, brief intervention, and referral to treatment (SBIRT) model promoted by the federal government.

COMMUNITY SERVICES BLOCK GRANT

SECTION 10.78.(gg) In accordance with the intent of the American Recovery and Reinvestment Act, the North Carolina General Assembly strongly encourages recipients of Community Services Block Grant and Community Services Block Grant Recovery funds to enhance cooperation with county departments of social services and regional food banks to increase benefits enrollment for eligible persons, including Food and Nutrition Services and Medical Assistance.

House Pages

Approp Health Human
Name of Committee: Services Date: 4/16/09

1. Name: _____
   County: _____
   Sponsor: _____
2. Name: _____
   County: _____
   Sponsor: _____
3. Name: _____
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5. Name: _____
   County: _____
   Sponsor: _____

Sgt-At-Arms

1. Name: Martha Gaddison
2. Name: James Worth
3. Name: Bob Ross
4. Name: _____

VISITOR REGISTRATION SHEET

HEALTH AND HUMAN SERVICES
Name of Committee

April 16, 2009
Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Paula Cox Fishman	Volunteer advocate for DD
Louise B Fisher	Volunteer advocate for MI
Bill Rust	ACF
Mary Beth	AANP-NC
[illegible]	Indigo Const.
[illegible]	[illegible]
[illegible]	NCACC
Lee-Ann C Perryman	NCPA

VISITOR REGISTRATION SHEET

HEALTH AND HUMAN SERVICES
Name of Committee

April 16, 2009
Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Barbara Conder	BCCC
Roz Sarratt	NC Child Care Coalition
Stephanie Daniel	Smart Start
Mandy Abledinger	Action for Children NC
Gardner Payne	NWC
Kevin Leonard	WCSR
Jennifer McClennan	OSBM
Pam Kilpatrick	OSBM
Wayne Williams	OSBM
David Bray	NWC
Harry Kaplan	NWC

2009-2010

JOINT APPROPRIATIONS – HEALTH & HUMAN SERVICES

MINUTES

MINUTES
Appropriations Subcommittee on
Health and Human Services

April 21, 2009

The Appropriations Subcommittee on Health and Human Services met in Room 643 on April 21, 2009. Representative Bob England presided and called the meeting to order at 8:30 a.m. Chairman England then welcomed all members and visitors and introduced the Pages and Sergeant at Arms who would be assisting with the meeting.

The following members were present; Chairs: Representatives Earle and Insko, Vice Chairs: Representatives Barnhart and Farmer-Butterfield. Members: Representatives Brisson, Burr, Burris-Floyd, Dollar, Neumann, and Stewart.

Representative England introduced Mr. Lanier Cansler, Secretary of the Department of Health and Human Services to discuss budget concerns within the department. Secretary Cansler explained the needs of the department and certain provisions which would have a negative impact on the ability of the Department to successfully manage operations and meet care needs of individuals being served within state facilities. He then stated that if the Department is going to improve management of the Medicaid program, it is critically important that they have both the right staff and technology to achieve the goal.

Following the presentation given by Secretary Cansler, officials from the Department of Health and Human Services and General Assembly staff added information when called upon to do so. A copy of the complete presentation is attached to these minutes.

Representative England then recognized Committee members for questions of Secretary Cansler. Following these discussions, the meeting was adjourned at 9:45 a.m.

Representative Bob England, MD
Chairman

Lisa W. Brown
Committee Assistant

ATTENDANCE

Appropriations Subcommittee on Health and Human Services

DATES	4-21-2009													
Rep. Beverly Earle, Chair	X													
Rep. Bob England, Chair	X													
Rep. Verla Insko, Chair	X													
Rep. Jeff Barnhart, Vice Chair	X													
Rep. Farmer-Butterfield, Vice Chair	X													
Rep. William Brisson	X													
Rep. Justin Burr	X													
Rep. Pearl Burris-Floyd	X													
Rep. Nelson Dollar	X													
Rep. Wil Neumann	X													
Rep. Randy Stewart	X													
Sen. William Purcell, Chair														
Sen. Doug Berger, Chair														
Sen. Charlie Dannelly														
Sen. Martin Nesbitt														
Sen. Harris Blake														
Sen. Debbie Clary														
Sen. James Forrester														
Staff														
Lisa Hollowell, Team Leader	X													
Melanie Bush	X													
Lee Dixon	X													
Bryce Ball	X													

HOUSE APPROPRIATIONS SUBCOMMITTEE FOR HEALTH AND HUMAN SERVICES

AGENDA

April 21, 2009
8:30AM

Rep. Beverly Earle
Rep. Verla Insko
Rep. Bob England
Rep. Jeffrey Barnhart
Rep. Jean Farmer-Butterfield
Rep. William Brisson
Rep. Justin Burr
Rep. Pearl Burris-Floyd
Rep. Nelson Dollar
Rep. Wil Neumann
Rep. Randy Stewart

Chairs

Representative Beverly Earle
Representative Verla Insko
Representative Bob England

Budget Concerns — Mr. Lanier Cansler, Secretary
North Carolina Department of Health and Human Services

Rep. Beverly Earle
Rep. Verla Insko
Rep. Bob England
Rep. Jeffrey Barnhart
Rep. Jean Farmer-Butterfield
Rep. William Brisson
Rep. Justin Burr
Rep. Pearl Burris-Floyd
Rep. Nelson Dollar
Rep. Wil Neumann
Rep. Randy Stewart

HOUSE APPROPRIATIONS SUBCOMMITTEE FOR HEALTH AND HUMAN SERVICES

AGENDA

April 21, 2009
8:30AM

Chairs

Representative Beverly Earle
Representative Verla Insko
Representative Bob England

Budget Concerns	Mr. Lanier Cansler, Secretary North Carolina Department of Health and Human Services

House Pages

Name of Committee House App. Health + Human Serv. Date: 4/21/09

1. Name: Shauna Wood
   County: Sanford Lee
   Sponsor: TarHeel Challenge
2. Name: Crystal Bradford
   County: Fayetteville Cumberland
   Sponsor: Tarheel Challenge Academy
3. Name: _____
   County: _____
   Sponsor: _____
4. Name: _____
   County: _____
   Sponsor: _____
5. Name: _____
   County: _____
   Sponsor: _____

Sgt-At-Arms

1. Name: Trey Raley
2. Name: Young Bae
3. Name: Martha Gadson
4. Name: _____

VISITOR REGISTRATION SHEET

House App Health & Human Services 4/21/09

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
TRACY COLVARD	AHA
Jack Cozort	WCSR
Sheyna Altschuler	AARP
Jennifer Hoffmann	OSBM
Mandy Ableidinger	Action for Children N.C.
PAULA COX FISHMAN	Volunteer Advocate - MR/DD
TAD CLODFELTER	SOUTHLIGHT / SA FEDERATION
Mary Bethea	AARP - NC
Bert. Fisher.	Community Partnerships, Inc.
Hugh Tilson	NCHA
Patrice Roesler	NCACC

VISITOR REGISTRATION SHEET

House App Health & Human Services — 4/21/09

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Annette Newkirk	Governor's Office
Maureen Mansell	ASNC
Vincent Stephens	CMS
Ken Mich	CFSA-NC
Fred Waldo	Eastern Seals UCP
Ashley J Bell	American Cancer Society
Lewis B Fisher	Volunteer Advocate M.I.
Erin McLaughlin	MHANC
Jennifer Mahan	MHANC
Rob Thompson	Covenant
Kevin Leonard	NCSR
Dick Hatch	AARP, STHL, NCCUA
Holly Riddle	NC Council on DD

VISITOR REGISTRATION SHEET

Spec HRP Health + Human Services 4/21/09

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Tom Vitagliano	Action for Children
John Owens	Alliance Urology Specialists

VISITOR REGISTRATION SHEET

House App Health & Human Services — 4/21/09

Name of Committee — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Patrick Buffkin	NMHC
Paul Pullen	NCAOS
Kristin Dalton	NCRMA
Louisa Warren	NCJC
Evelyn Hawthorne	EHGR
Joanne Stevens	Stevens Mill
Kelly Kemp	NAMI NC

VISITOR REGISTRATION SHEET

House A&P Health & Human Services — 4/21/09

Name of Committee — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
John Tate	NHA
Matthew McConnell	Carolinas HealthCare Sys.
ANN LOVE	DUKE
DAVID BARNES	PoynerSpruill
BILL RUSTIN	ACP
Karen Gilleyen	BMS
Mari Senn	GSK
Joe McCullen	NFOS
Chip Bryant	NCMS
NATE FERGUS, M.D.	CHS
Annaliese Dolph	DRNC

VISITOR REGISTRATION SHEET

House Appl Health & Human Services 4/21/09

Name of Committee Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Abby Emanuelson	NMSS-NC
Gene Causby	NCSCA
[illegible]	[illegible]
Janice Freedman	NC Healthy Start Foundation
Jamal Jones	NCHA
Tracy Kimbrell	Parker Poe
Mark Ezzell	HWTF
Bob Hedrick	NCPC
Amy McConkey	Smith Anderson
Joan Johnson	Beyond Academics
Elizabeth Bradley	NC Vocational Rehabilitation
Jennifer Stackpole	NC Vocational Rehabilitation

Senate Budget Concerns
Presented by Secretary Lanier M. Cansler
DHHS
April 16, 2009

The following two provisions will have substantial negative impacts on the ability of the Department to successfully manage operations and meet care needs of individuals being served within state facilities. These provisions reduce the flexibility of the Department to meet critical staffing needs, eliminating many positions that would have likely been filled if not for the six month old hiring freeze and the lack of ability to attract qualified applicants at established salary levels.

Department-wide Vacancy Reduction

The Department-wide vacancy reduction as proposed by the Senate will eliminate a total of 560.24 positions ($19.4M in appropriated reductions). Of these positions, 300 are classified as direct care (260 from within the Division of Mental Health). These positions provide direct services to DHHS clients. Many of these positions have not been filled as a direct result of the hiring freeze that the Department instituted in October of last year.

Management Flexibility Reserve

Conference Report Item #75 09-10 ($22,962,170) 10-11 ($22,962,170) R

This reduction coupled with the vacancy reduction above will have devastating impact on our ability to manage and support programs across the Department, requiring the equivalent of 600+ additional position eliminations. Administration funding for DHHS represents about 7.6% of the total DHHS budget. Of this amount, salary and fringe costs represent approximately 5.3% of the total budget. Over 60% of DHHS staff work in our Mental Health facilities providing direct care to patients. In order to meet the negative reserve reduction in the Senate budget, additional and significant reductions will have to be made to staffing budgets within our facilities.

If these provisions remain in the budget:

- **We will have to terminate the MMIS project as the 560 positions include a substantial number (28) of the MMIS positions.**
- **Our ability to improve management at DMA and meet other utilization control goals will not be possible because of inability to properly staff DMA. Keep in mind that DMA is the largest insurance company in North Carolina, but operates much like it has for the past 30 years, with the inability to maintain appropriate controls on utilization of services. In reality, to properly manage the Medicaid program, we need to increase staffing in critical areas, not reduce the capacity to manage through staffing eliminations.**
- **We will lose all flexibility in facility operations and will likely have to reduce bed capacity by up to 100 beds in addition to the two 25 bed units at Broughton and Cherry that is also included in the Senate budget.**
- **We will be forced to utilize temporary agency staffing and pay overtime to meet the staffing needs of our facilities, an approach that is both more expensive and results in a lower quality of care and safety for patients/clients.**

Building DMA Capacity (Staff and IT)

If we are going to improve management of the Medicaid program, it is critically important that we have both the right staff and technology to achieve the goal. We will never accomplish the goal by accident, but only through planning and designed efforts. The

following budget reduction items may be accomplished (at least partially) through the use of technology and increased accountability.

Conference Report Item # 128
Modify Personal Care Services Benefits 09-10 ($54,855,000) 10-11 (54,885,000) R
The reduction in the Senate's budget would equate to a 43% reduction in the budget for Personal Care Services. The Senate budget did not provide direction on how to achieve these savings. While some savings can be generated through a reduction in overutilization of services, the amount in the Senate budget can not be achieved without drastically cutting allowable services to recipients. The Governor's budget estimated with changes to ensure the appropriate utilization of Personal Care Services, there would be savings of $14,190,662 in 09-10 and $19,759,777 in 10-11 which is approximately 15% of the continuation budget.

There are reports which indicate potential inappropriate provision of Personal Care Services. The reports, developed independently by Carolinas Center for Medical Excellence, would indicate possible state dollars savings in the area of $20 million annually by enhanced utilization management. This is more in line with the Governor's proposal. The Senate's proposal would likely require substantial modifications to the service definitions.

Conference Report Item # 126
Third Party Liability Recoveries & Cost Avoidance 09-10 ($20,000,000) 10-11-(20,000,000) R
The DMA Program Integrity Section is revamping its process to include leveraging data mining technology to improve their business practice. This revamping will be a gradual process and will require a period to implement fully. While some savings will be realized as a result of the changes, it will take time to reach the amounts in the Senate budget.

This again is a possible savings, but will require the investment in appropriate technology to achieve this goal. Implementing the technology in a time frame sufficient to accomplish the $20 million savings in the first year is highly unlikely.

Conference Report Item # 130
Reduce Funding for Community Supports 09-10 ($15,000,000) 10-11-(15,000,000)
The Senate limits Community Support Group services to 8 hours a week. DMA estimates that reducing Community Support Group services to 8 hours a week will result in a total savings of $5,700. Total expenditures for this service are $450,000 a year.

DMA - Expansion of Medicaid Eligibility - Section 10.30
The Senate budget requires that the department submit a Medicaid State plan amendment to expand Medicaid to children and pregnant women who are lawfully in the US, notwithstanding the five year bar on receipt of assistance. These lawful immigrants are currently eligible only after residing in the US for 5 years. The Senate did not appropriate additional funds to cover this expanded population.

Much of DMA's ability to improve management of utilization and operations is dependent upon enhanced technology. Often it takes months or even years to work through the State's procurement process to achieve this enhancement. To meet budgetary reductions through improved utilization controls in a short period of time, we may need to consider possible accelerated procurement options/processes.

CCNC

Community Care of NC – Section 10.36

Need to revamp Senate prescriptive approach along lines of:
1. Making NCQA Medical Home standards a goal of CCNC providers
2. Using the Independent Advisory Committee to assist DMA/DHHS to help define aggressive, but achievable, performance goals for the CCNC networks and their providers in the care, care management and savings of our various Medicaid populations that they manage.
3. Work in a more transparent and business-like fashion with the CCNC networks and clinical leaders to make them even more effective (this may require an infusion of significant new resources).

To achieve the greatest benefits possible through CCNC and the 646 Waiver, we must make certain that the participating physicians are working closely with us in achieving our health management goals. This means greater tracking of utilization trends, implementation and monitoring of best and most effective practices, closer communication with those providers who order services, verification of the use of the Pharmacy Advantage List (PAL) by physicians, etc.. This requires the technology to enhance the sharing of health care information critical to quality and cost efficiency.

Health Information Technology

Health Information Technology – Section 10.27
The Senate is wise to put this topic in given importance to health care in this state....and there should be a single entity in the state where progress in this vein can be monitored. This said, we need to be far less prescriptive in terms of reporting. We expect to have the state's application for Recovery funding into the Feds by end of June. Hence the quarterly reporting called for in SB 202 seems a bit out of place. This said the tremendous importance of HIT to the effectiveness and efficiency of care in NC over the long term is something that the GA, Gov. and DHHS should monitor and be periodically be updated on.

If we are going to be successful, we must focus on technology funds in two primary areas: (1) CCNC and the management of care and utilization, and (2) Mental Health and the sharing of information among LME's, care providers, and the State's facilities. Currently there is a substantial lack of continuity in the delivery of mental health services resulting in reduced quality of care, potential duplication of efforts, and a revolving door for patients utilizing our facilities.

Health Choice

Health Choice Enrollment Growth
Conference Report Item # 66 09-10 7,829,934 10-11 7,829,934 R
The Governor recommended growth of 8,000 children in 09-10. This is funded by utilizing $7,000,000 of Kids Care funding and $4,329,934 in state appropriations. The Senate allows for 15,583 additional children in 09-10. Growth at this rate will cause the federal SCHIP allotment to run out in SFY 2012 with the federal shortfall estimated to be approximately $57.8 million.

Health Choice Transition – Section 10.31
The Governor's budget included funds for 5 positions and contractual services needed to provide the proper administrative and oversight of Health Choice during the transition from the State

Health Plan to the Division of Medical Assistance can thereafter. DMA does not currently have the staff in place to assume this responsibility.

Reduce Funding for Schools for the Deaf
Conference Report Item #100 **09-10 ($5,000,000) R**
This $5,000,000 recurring reduction would equate to a 23% reduction in the combined budget for the Eastern and Western Schools for the Deaf. Over 82% of the budget for these schools supports personnel costs, so this reduction would result in significant reductions in staffing for these schools. Lost positions may be in the range of 70 to 100. These are in addition to the 10 vacant positions the Senate identified to cut (Item #98).

In order to implement this amount of reduction, these schools would have to consider converting to day only programs or a potential facility merger.

Subsidized Child Care
As part of the federal recovery package, DHHS will receive over $67 million in CCDF funding. These funds have been awarded to provide additional support for working families across the state as well as to enhance the quality of child care facilities. Based upon federal regulations, these funds may be spent over a 3 year period.

The Governor and Senate have proposed using these funds to target services for families with one-time needs related to the economic downturn. Subsidy eligibility policies have been proposed for revision to expand services for families who need child care support while they search for new employment or receive additional education and job training. We need to ensure that sufficient funds are available to meet these needs.

The Senate has proposed utilizing a portion of the CCDF recovery funds to implement a child care market rate adjustment while the bulk of the funding would be utilized to replace state funds currently supporting More at Four ($37.2M NR). With regard to this proposal, the Department is still examining issues related to potential violations of CCDF Recovery guidance which prohibits the supplantation of state funding.

Federal Funds Payback for Broughton Hospital
Conference Report Item #15 **09-10 ($8,000,000) NR**
The Centers for Medicare and Medicaid services have indicated that they intend to appeal the recent ruling that Broughton Hospital should not have been decertified. Pending this appeal, it is uncertain if\when the withheld receipt of the $8,000,000 will be recovered.

MINUTES

HEALTH AND HUMAN SERVICES
APPROPRIATIONS SUBCOMMITTEE

TUESDAY APRIL 28, 2009
8:30AM
ROOM 643 LEGISLATIVE OFFICE BUILDING

The Joint Appropriations Subcommittee on Health and Human Services met Tuesday April 28, 2009 at 8:30 am in Room 643 of the Legislative Office Building. Representative Verla Insko presided. Rep. Insko called the meeting to order and introduced the Sergeant at Arms Staff and pages who would be assisting with the meeting.

The following members were present; Representative's, Verla Insko, Beverly Earle, Bob England, Jean Farmer-Butterfield, William Brisson, Justin Burr, Pearl Burris-Floyd, Nelson Dollar, Wil Neumann, and Randy Stewart. Staff members from the Fiscal Research Division present were Melanie Bush, Lee Dixon, Lisa Hollowell, and Bryce Ball. A hard copy of the roll denoting members present is attached to the minutes along with a copy of the visitor's registration and agenda sheet.

Rep. Insko recognized Dr. Richard Clifford, Co-Director, First School FPG Child Development Institute. Dr. Clifford present to the committee Early Childhood Services in North Carolina. Rep. Insko then recognized committee members for questions of Dr. Clifford.

Rep. Insko recognized Tara Larson, Assistant Director, DHHS, Division of Medical Assistance. Ms. Larson presented to the committee Screening Tool Update for Long Term Care Facilities. Rep. Insko then recognized committee members for questions of Ms. Larson. Following these discussions, the meeting was adjourned at 9:50 a.m. A copy of all presentations is attached to these minutes.

Representative Verla Insko
Chair

Gina Insko
Committee Assistant

Rep. Beverly Earle
Rep. Verla Insko
Rep. Bob England
Rep. Jeffrey Barnhart
Rep. Jean Farmer-Butterfield
Rep. William Brisson
Rep. Justin Burr
Rep. Pearl Burris-Floyd
Rep. Nelson Dollar
Rep. Wil Neumann
Rep. Randy Stewart

HOUSE APPROPRIATIONS SUBCOMMITTEE FOR HEALTH AND HUMAN SERVICES

AGENDA

April 28, 2009
8:30AM
Room 643, LOB

Chairs

Representative Beverly Earle
Representative Verla Insko
Representative Bob England

More At Four Discussion	Richard M. Clifford, Ph.D. Senior Scientist and Co-Director, FirstSchool FPG Child Development Institute
Continuation Review Purchase of Medical Care Programs	Lee Dixon, Staff
Screening Tool Update For Long Term Care Facilities	Tara Larson, Assistant Director DHHS, Division of Medical Assistance

Early Childhood Services in NC

NC House of Representatives
Health and Human Services Appropriations

Richard M Clifford
FPG Child Development Institute, UNC-CH
April 28, 2009

Early Childhood Services

- Introduction – Smart Start, DCD, More at Four, Major Studies of Pre-K programs in US
- What do we know about Smart Start and More at Four?
- What about the rest of Early Childhood Services here?
- Is there a need for structural changes in NC?
- So, what should we do now?

What do we know about Smart Start and More at Four?

- Smart Start is designed to raise the quality of early childhood services for all children below kindergarten age in North Carolina. It has a focus on working at the local level to bring together all those working for young children, finding ways to make services more effective and efficient and filling in the gaps in service.
- More at Four is a very targeted program designed to ensure that every child who is at risk of school failure will have at least one year of high quality education prior to entry into kindergarten.
- The overlap is where at the local level Smart Start steps in to help with administration of the program when that is the best option and assists with matching the state More at Four funds when other sources are not available.

Success of Smart Start

- Evaluation of Smart Start demonstrates locals are effective at:
  - Raising the quality of child care,
  - Improving child development outcomes for young children,
  - Establishing collaborative relationships among service providers,
  - Bringing positive innovation to the government.

Success of More at Four

- Children make significant gains in cognitive performance during the year in More at Four.
- Children come to kindergarten better prepared to succeed.
- Programs are of high quality, good success at getting highly qualified teachers.
- Success at working with both schools, child care and Head Start.
- Meets the high standards set by the field.

What does research show?

- High quality is necessary to produce better outcomes.
- At risk children are much more sensitive to variations in quality than middle class children.
- State pre-k initiatives have been shown to make major differences in outcomes – but our work shows that a strong state level effort is needed to make this happen – just setting standards is not enough.

Other Early Childhood Programs in NC

- Child care is the biggest.
- Early Intervention for children with special needs – both for infants and toddlers and for preschoolers.
- Head Start – regular and Early HS

The Future

- It is a central part of the dream that is America (and North Carolina) that we always believe we can do better with each generation.
- The legislature called for a review of Smart Start and More at Four in 2003. The Governance Group that was formed to respond to that request prepared a proposal to create a new department in state government for early education and care, but since the focus of the legislative request was on financing the proposal was put on hold.
- There is a shared sense that we need to improve the structure.

First do no harm!

- With highly effective programs we need to be sure we do not disrupt the effective programs.
- Economists tell us that the positive side of recessions is that poor quality programs and services get cut, leaving the economy more efficient and resiliant.
- But that does not happen if we fail to focus on reducing waste and cut out effective programs.
- More at Four and Smart Start are both highly effective.
- Cuts within the programs may be made by finding the least effective parts and making the cuts there, but eliminating either program would be reckless given their performance overall. Any short term savings made this way would be much more than offset by long term costs we would be faced with.

UNC

What should we do?

- Create a study group to examine the current structure and bring back a recommendation for needed changes early in 2010.
- Involve key stakeholders in state government.
- Consult with local government officials an

UNC

What should we do?

- Make cuts required to meet the revenue projections which are no more than for the rest of the education system. These services for children birth to five are the first step in our education system.
- Use stimulus funds to reduce state funding where appropriate under federal legislation.
- Use child care stimulus funds to match More at Four in the same way we are using the current subsidies for that purpose.
- Use Early Head Start, Child Care quality enhancement funds, and related funds to begin to focus on needed improvements in services for children 3 and younger.

UNC

Thanks

- Now is the time to make change, but we should take time to be sure we do it right.
- The GA should be applauded for its efforts in this regard.
- Our Job is to build a system that truly meets the needs of families and children in our evolving society.

UNC

FPG Child Development Institute

- FPG Child Development Institute. FPG research and outreach have shaped how the nation cares for and educates young children.
- www.fpg.unc.edu
- dickclifford@unc.edu

Division of Medical Assistance

Uniform Screening Program and
Adult Care Home Briefing
April 28, 2009

History of Medicaid's Uniform Screening Project (USP)

- Began in 2006 with long term vision of automating administrative processes of Medicaid's eight long term care programs
  - Private Duty Nursing
  - CAP/C
  - CAP/DA
  - CAP/MRDD
  - PCS
  - PCS Plus
  - Nursing Facility Services
  - Adult Care Home and Special Care Units

Goals of USP

- Combine eight separate program assessment tools into a single web-based tool which would determine level of care and medical necessity for each program
- Determine recipient eligibility for each long term care program and determine best fit
- Build database to conduct quality and compliance reviews.
- Develop a tool to assess the need for mental health services in long term care recipients

Medicaid Uniform Screening Tool (MUST)

- Initial automation project in USP
- Providers would be able to enter data and determine which program best fit the long-term care needs of the recipient
- Incorporates federally mandated PASARR (Preadmission screening and annual resident review)
  - Screen for mental illness and developmental disabilities and is required for admission to a nursing facility.

Implementation Progress

- MUST design and development completed
- Internal and field testing completed
- Provider training to over 1300 potential users completed
- Implementation delayed due to multiple stakeholders request to conduct Pilot to determine business impact on providers
- The automated PASARR portion of the MUST was implemented on November 3, 2008

Stakeholder Feedback

- Multiple stakeholders requested a pilot of the MUST to determine:
  - Length of time to administer
  - Need for additional staff
  - Impact on business process and potential increased costs
  - Additional training needs

Impact

- Pilot would require additional programming to MUST which increases cost of development
- SB991 requirement increases cost of implementation of full MUST

Current Status

- Provider organizations expressed concern that completing the MUST would require additional staffing resources
- Based on feedback from providers, DMA agreed to pilot the MUST prior to full implementation
- Due to the current fiscal environment, DMA cannot incur the cost of a pilot
- Recognizing that the current economy is causing significant hardships on a variety of providers, DMA has placed further development of the MUST project on hold
- PASARR only portion of the MUST is functional and currently in use

Automated PASARR

- First program to be incorporated into the MUST framework as of September 28, 2008
- Implementation delayed to November 3, 2008 at provider requests for additional training
- At this time, there are 174 registered organizations with 567 registered users across those organizations
- 20% increase in registered users since January 1, 2009

Automated PASARR Benefits

- Cost containment due to the business rules engine that determines screening outcomes without human intervention
- Accessible to providers 24/7
- Easy to use and NO cost to providers
- Instant generation of PASARR # or need for Level 2 screen
- Web based and searchable existing PASARR numbers
- Eliminates paper forms
- Creation of a LTC database

2008 Study Commission on Aging

- Recommended a pilot for a screening process for mental health and developmental disability conditions as part of the adult care home admission process
- "This process shall duplicate the nursing facility admission process and shall consist of an automated screening tool, and where indicated, a face-to-face assessment by a mental health or developmental disabilities professional."

MH Screening in Adult Care Homes

- A workgroup consisting of various Divisions (DMH, DMA, DHSR, Aging), trade associations, and providers is discussing possible tools for screening for mental health issues prior to admission into an ACH
  - PASARR portion of the MUST is available and free to providers

Future Direction

- Continue outreach and training for providers to use PASARR portion of the MUST
  - Increased use of web-based tool decreases cost of Level I evaluations due to automation
- Continue to explore opportunities to integrate current work with future IT initiatives.

Personal Care Services in Adult Care Homes

- CMS advised DMA that the current structure for payment of PCS in Adult Care Homes is not acceptable
  - Different reimbursement mechanism for services provided in ACH versus services provided in private residence
  - CMS will not allow different policies for the same service

Differences in PCS Policies

Adult Care Home

- Provided as part of overall care to residents (continuous and non-scheduled)
- Paid on a per diem basis
- Flat payment depending on level of assistance required (basic, enhanced, special care unit)
- Provided by licensed adult care homes

PCS/PCS Plus

- Provided in private residence
- Paid in 15 minute increments
- PCS limited to 60 hours/month
- PCS Plus limited to 80 hours/month
- Service provided by licensed home care agencies

Evaluation of Options

- Multiple conversations with CMS regarding options
- DMA contracted with Mercer to assist in evaluating options
  - Same service option
  - Managed care arrangement
  - 1915(i) waiver
  - 1915(c) waiver

1915(c) Waiver

- Allows the State to develop a personal care type service with different provider standards, service limits, and payment methodology.
- Limits can be met as long as individual's needs are met
- Primary disadvantage is that individuals must meet nursing facility level of care
- ACH residents whose primary needs are mental health will not qualify

Current Status

- 1915(c) waiver under development
  - Submission to CMS planned for June 2009
- No additional funding identified and current level of Medicaid expenditure will be maintained
  - As additional dollars are available, additional services would be considered for reimbursement under the waiver
- Workgroups identified to address outstanding issues of payment methodology, level of care definition, preadmission mental health screening, admission assessment, transition to waiver

ATTENDANCE

APPROPRIATIONS SUBCOMMITTEE ON HEALTH AND HUMAN SERVICES

(Name of Committee)

DATES	3-11-09	3-19-09	4-7-09	4-16-09	4-28-09	5-5-09	5-19-09	5-21-09	6-24-09						
REP. VERLA INSKO - CHAIR	X	X	X	X	X	X	X	X	X						
REP. BEVERLY EARLE - CHAIR	X		X	X	X	X	X	X							
REP. BOB ENGLAND - CHAIR	X		X	X	X	X	X	X	X						
REP. JEFF BARNHART VICE-CHAIR	X			X		X	X	X							
REP. JEAN FARMER-BUTTERFIELD VICE-CHAIR	X	X	X	X	X	X	X	X							
REP. WILLIAM BRISSON	X	X	X	X	X	X		X							
REP. JUSTIN BURR		X	X		X		X								
REP. PEARL BURRIS-FLOYD		X	X	X	X	X	X		X						
REP. NELSON DOLLAR		X			X	X	X	X							
REP. WIL NEUMANN	X	X		X	X	X	X	X	X						
REP. RANDY STEWART		X	X		X	X	X	X	X						
Sen. William Purcell	X	X													
Sen. Doug Berger	X	X													
Sen. Martin Nesbitt	X	X													
Sen. Charles Dannelly															
Sen. Blake Harris	X	X													
Sen. Debbie Clary	X	X													
Sen. James Forrester		X													
STAFF															
Melanie Bush	X	X		X	X	X	X	X							
Lee Dixon	X	X		X	X	X	X	X							
Lisa Hollowell	X	X		X	X	X	X	X							
Bruce Ball	X	X		X	X	X	X	X							

House Pages

Name of Committee: APP HHS Date: 4-28-09

1. Name: Stephen Hutchinson
   County: North Wilkesboro
   Sponsor: Randleman
2. Name: Staci Driver
   County: Ires Country
   Sponsor: Pat McElraft
3. Name: _____
   County: _____
   Sponsor: _____
4. Name: _____
   County: _____
   Sponsor: _____
5. Name: _____
   County: _____
   Sponsor: _____

Sgt-At-Arms

1. Name: MARTHA GADDISON
2. Name: TREY FOLEY
3. Name: YOUNG BAE
4. Name: _____

VISITOR REGISTRATION SHEET

HEALTH AND HUMAN SERVICES — April 28, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
June Locklear	DHHS - Div Child Dev
Steven Waters	Living Streets
DAVID BARNES	Poyner Spruill
Jenny Coogan	NCALA
Jim Hunt	Food Banks
KAY CARTER	- Food Banks
SHAY METCALF	
Mark Ezzell	HWTF
Carolyn Cobb	4701 Metcalf Dr - Carolyn Cobb Consulting
Abby Emanuel	NMSS-NC
Joanne Stevens	Stevens

VISITOR REGISTRATION SHEET

HEALTH AND HUMAN SERVICES — April 28, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
John Pinette	Office of School Readiness / DPI
Joyce Baffi	NC Partnership for Children
Stephanie Fayyad	NC Partnership for Children
Roz Sawitt	NC Child Care Coalition
Amy McConkey	Smith Anderson
Kristi Graff	NCHFCFA

VISITOR REGISTRATION SHEET

HEALTH AND HUMAN SERVICES — April 28, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Jesse Goodman	DHHS
Lyn Watts	NCAHTCF
Fred Bone	Bone & Asso.
Martha McCall	Carolinas Healthcare Corp
Ann Lord	DUKE
Mary Bethea	AARP-NC
Pam Kilpatrick	OSBM
Wayne Williams	OSBM
Melvin Lee	OSBM
Hoffman	OSBM
Julia Leggett	The Arc of NC

VISITOR REGISTRATION SHEET

HEALTH AND HUMAN SERVICES — April 28, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Gill Hinton	
Chip Kellum	nelson mullins
Tina Gordon	NC Nurses Assoc
Bill Rustin	
Louisa Warrior	NC Justice Center
Robin Britt	Guilford Child Development
Sandy Chaplin	Trust for Public Land
DAVE CABLE	CATAWBA LANDS CONSERVANCY
TY DEXTER	TROSA

MINUTES
Appropriations Subcommittee on
Health and Human Services

April 29, 2009

The Appropriations Subcommittee on Health and Human Services met in Room 643 on April 29, 2009. Representative Bob England presided and called the meeting to order at 8:30 a.m. Chairman England then welcomed all members and visitors and introduced the Pages and Sergeant at Arms who would be assisting with the meeting.

The following members were present; Chairs: Representatives Earle and Insko, Vice Chairs: Representatives Barnhart and Farmer-Butterfield. Members: Representatives Brisson, Burris-Floyd, Neumann, and Stewart.

Chairman England then introduced Mr. Steve Larson, Senior Vice President of External Relations of AMERIGROUP, Inc. Mr. Larson explained that AMERIGROUP helps providers offer aggressive, highly structured treatment for a variety of illnesses that exact a heavy toll on low-income Americans. They also offer members a Nurse Helpline that is available 24 hours a day in more than 60 languages, call members to remind them of appointments with physicians and often arranges transportation to make sure they get to their appointments. Following the explanation, Committee members were recognized to ask questions of Mr. Larson.

Chairman England then introduced Mr. R. Bradley Hill, CPA, and Vice President of AIM Healthcare Services, Inc. Mr. Hill stated that AIM has created customized, results-oriented solutions achieving cost-containment, cost-avoidance and revenue generation, and has successfully augmented the OI (Other Insurance) discovery process for other state plans and provided almost 500,000 new OI adds to their current enrollment records in the first nine months. Following the explanation, Committee members were recognized to ask questions of Mr. Hill.

After these discussions, Chairman England thanked the members and presenters for their attendance and adjourned the meeting at 9:50 a.m. A copy of both presentations are attached to these minutes.

Representative Bob England, MD
Chairman

Lisa W. Brown
Committee Assistant

ATTENDANCE

Appropriations Subcommittee on Health and Human Services

DATES	4-29-2009													
Rep. Beverly Earle, Chair	X													
Rep. Bob England, Chair	X													
Rep. Verla Insko, Chair	X													
Rep. Jeff Barnhart, Vice Chair	X													
Rep. Farmer-Butterfield, Vice Chair	X													
Rep. William Brisson	X													
Rep. Justin Burr														
Rep. Pearl Burris-Floyd	X													
Rep. Nelson Dollar														
Rep. Wil Neumann	X													
Rep. Randy Stewart	X													
Sen. William Purcell, Chair														
Sen. Doug Berger, Chair														
Sen. Charlie Dannelly														
Sen. Martin Nesbitt														
Sen. Harris Blake														
Sen. Debbie Clary														
Sen. James Forrester														
Staff														
Lisa Hollowell, Team Leader	X													
Melanie Bush	X													
Lee Dixon	X													
Bryce Ball	X													

Rep. Beverly Earle
Rep. Verla Insko
Rep. Bob England
Rep. Jeffrey Barnhart
Rep. Jean Farmer-Butterfield
Rep. William Brisson
Rep. Justin Burr
Rep. Pearl Burris-Floyd
Rep. Nelson Dollar
Rep. Wil Neumann
Rep. Randy Stewart

HOUSE APPROPRIATIONS SUBCOMMITTEE FOR HEALTH AND HUMAN SERVICES

AGENDA

April 29, 2009
8:30AM
Room 643, LOB

Chairs

Representative Beverly Earle
Representative Verla Insko
Representative Bob England

The agenda topic is cost-containment recommendations and best practices implemented in other states.

Mr. Steve Larson, Senior Vice President of External Relations
AMERIGROUP, Inc.

Mr. R. Bradley Hill, CPA, Vice President
AIM Healthcare

Mr. Stan Watson, Vice President, Government Affairs
Women's and Children's Health
Alere Medical

VISITOR REGISTRATION SHEET

(House) App. Health & Human Services — 4/29/09

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Abby Emanuelson	NMSS-NC
Paula Cox Fishman	volunteer advocate MR/DD & MI
Louise Fisher	volunteer advocate MI
Mary Bates	AARP-NC
Beau Hill	AIM Healthcare
Bill Rustin	AARP
Ann Lucas	DUKE
Joni Allen	BEGINNINGS
Jim Hunt	Food Banks
Wendy Kelly	SZOwicker
Joe Lanier	SZO Wicker

VISITOR REGISTRATION SHEET

4-29-09

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Peyton Mann	
Kristi Hults	NCHCFA
Breeden Blackwell	NCACC
Kenneth Edge	NCACC
John D. Rivenbark	NCACC
Margaret Weller-Stargel	Coastal Horizons Center, Inc.
Tom Chapple	" " "

House Pages

App. & Health & Human Serv

Name of Committee: Human Serv **Date:** 4/29/09

1. Name: Michelle Mann
   County: Alamance
   Sponsor: Allred
2. Name: Reese Miller
   County: Wake
   Sponsor: Stam
3. Name: _____
   County: _____
   Sponsor: _____
4. Name: _____
   County: _____
   Sponsor: _____
5. Name: _____
   County: _____
   Sponsor: _____

Sgt-At-Arms

1. Name: Trey Daley
2. Name: Marla Gadson
3. Name: _____
4. Name: _____

AIM

North Carolina

Appropriations Subcommittee on Health and Human Services

Vendor Presentation

April 2009

COMPANY PROFILE

- Over our 14 year history, AIM has created customized, results-oriented solutions achieving cost-containment, cost-avoidance and revenue generation
- Creation of multiple business lines of targeted solutions and technologies
- Award-winning, patent-pending technologies that simplify business processes
- Representing over 100 million member lives in our healthcare solutions
- Awarded honors for world's largest SQL database in an OLTP environment by Microsoft and the Winter Corporation surpassing Verizon, Hewlett Packard, and NASDAQ

WHAT MAKES AIM DIFFERENT

innovative, patent-pending technologies that automate existing processes and eliminate recurring errors

intelligent solutions based on client-specific considerations and objectives

relationships that enable us to simplify business between payers and providers

quantifiable results driven by built-in accountability

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CREDIT BALANCE FACILITIES

Provider	Contract Effective Date
21ST CENTURY NORTH CAROLINA	8/1/1996
ADVENTIST PARK RIDGE- JELLICO HOSPITAL	10/1/2004
ADVENTIST PARK RIDGE- MANCHESTER MEMORIAL HOSPITAL	8/1/1996
ADVENTIST PARK RIDGE- PARK RIDGE HOSPITAL	8/1/1996
ADVENTIST PARK RIDGE- TAKOMA ADVENTIST HOSPITAL	8/15/2005
ADVENTIST PARK RIDGE- TAKOMA REGIONAL HOSPITAL	10/21/1997
ALBEMARLE HOSPITAL	5/14/2007
APPALACHIAN REGIONAL-CHARLES CANNON HOSPITAL	8/1/1996
APPALACHIAN REGIONAL-WATAUGA MEDICAL CENTER	9/26/2005
BETSY JOHNSON REGIONAL	12/29/1999
BLADEN COUNTY HOSPITAL	9/30/2002
CAROLINAS MEDICAL CENTER- NORTHEAST	6/30/1999
CARTERET GENERAL HOSPITAL	8/1/1996
CATAWBA VALLEY MEDICAL CENTER	5/15/2002
CENTRAL INDIANA CANCER CENTERS	1/1/2004
CHARLOTTE SURGERY CENTER	6/30/1999
COLUMBUS REGIONAL HEALTHCARE SYSTEM	5/15/2002
DOSHER MEMORIAL HOSPITAL	8/1/1996
DUPLIN GENERAL HOSPITAL	12/12/2003
FIRSTHEALTH MONTGOMERY MEMORIAL HOSPITAL	9/30/2002
FIRSTHEALTH MOORE REGIONAL HOSPITAL	6/30/1999
FIRSTHEALTH RICHMOND MEMORIAL HOSPITAL	8/1/1996
FRYE REGIONAL MEDICAL CENTER	8/1/1996
GRANVILLE MEDICAL CENTER	8/1/1996
HALIFAX REGIONAL MEDICAL CENTER	12/16/2004
HIGH POINT REGIONAL HOSPITAL	8/1/1996
HIGHLANDS-CASHIERS HOSPITAL	11/19/2001
JOHNSTON MEMORIAL HOSPITAL AUTHORITY	8/1/1996
LENOIR MEMORIAL HOSPITAL	8/1/1996
MARIA PARHAM HOSPITAL	8/1/1996
MCDOWELL HOSPITAL	12/16/2004
MISSION HOSPITALS, INC.	6/30/1999
NEW HANOVER MEDICAL CENTER	1/1/2006
NORTHERN HOSPITAL OF SURRY COUNTY	12/16/2004
PENDER MEMORIAL HOSPITAL	1/1/2004
RANDOLPH HOSPITAL	9/30/2002
REX HOSPITAL	6/30/1999
SAMPSON REGIONAL MEDICAL CENTER	5/14/2007
SCOTLAND MEMORIAL HOSPITAL	8/1/1996
TRANSYLVANIA COMMUNITY HOSPITAL	8/1/1996
UHS- BERTIE MEMORIAL HOSPITAL	9/12/2001
UHS- CHOWAN HOSPITAL	5/15/2002
UHS- HERITAGE HOSPITAL	8/1/1996
UHS- OUTER BANKS HOSPITAL	8/1/1996
UHS- PITT COUNTY MEMORIAL HOSPITAL	8/1/1996
UHS- ROANOKE CHOWAN HOSPITAL	12/1/1999
UHS- SURGICENTER SERVICES OF PITT, INC.	8/1/1996
UNIVERSITY OF NORTH CAROLINA HOSPITAL	1/7/2000
UNIVERSITY OF NORTH CAROLINA P & A	8/1/1996
WFU-NC BAPTIST HOSPITAL	8/1/1996

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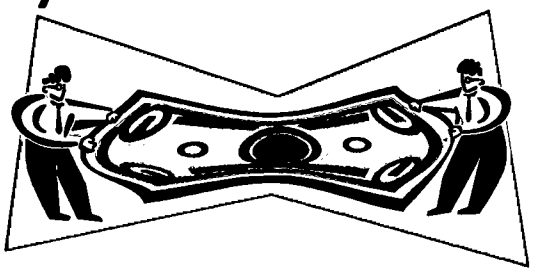
MEDICAID TRENDS – DRIVING CHANGES

- **Medicaid costs** expected to double by 2016
- Deficit Reduction Act of 2005 enacted to **cut costs by billions**
- Preventing Third Party Liability **TPL/COB** payments is primary focus to control costs



- **Fiscal Agents (ACS, EDS, Unisys, CSC)** are positioning to be more cost efficient
- Preference for **Pre-Pay Cost Avoidance** to replace post-pay cost containment
- States looking to **commercial solutions** for claims administration and technology and cost-avoidance

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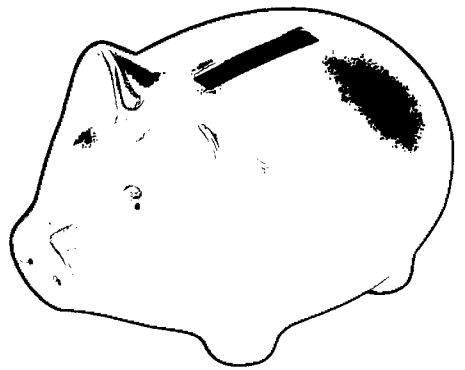
INDUSTRY TRENDS

60% of all AIM identified errant claims/overpayments are COB/TPL related

- **50%** involve Medicare,
- **40%** involve a Commercial Payer,
- **10%** involve a Workers Comp or Auto Carrier



35 States reported problems with **recovering TPL refunds**

- Commercial Payers deny due to age of request
- Commercial Payers deny due to stale or incomplete member information

Deficit Reduction Act of 2005 empowers States to impact TPL

- State level legislation adds pre-pay, other compliance requirements
- States are looking for answers and better methods for OI identification
- States are also seeking enhanced and more technology-based recovery processes

---

13% - 15% of Medicaid beneficiaries have Other Insurance (OI)

SOURCES: GAO REPORT, 2006 State Survey, AIM HEALTHCARE TRACKING, 2007

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NORTH CAROLINA FACTS AND OVERVIEW

- Over **$9b** in Medicaid expenditures for over **1.7m** enrollees, an average spend of over **$5,300** PMPY.

- According to CMS estimates, over **200k** of those members have some type of other insurance (OI) during the year.

- Cost Avoidance and Post Pay Recovery opportunities for the state of NC could exceed **$75-100m**.

- Existing legislation *(SS108A-55.4)* **requires** commercial carriers in NC to share enrollment files with the state for the purposes of identifying OI.

- **8 of the Top 10** commercial insurers in the state are current clients of AIM and we house many of their current membership rosters.

- AIM has successfully augmented the OI discovery process for other state plans and provided almost **500k new OI adds** to their current enrollment records in the first 9 months.

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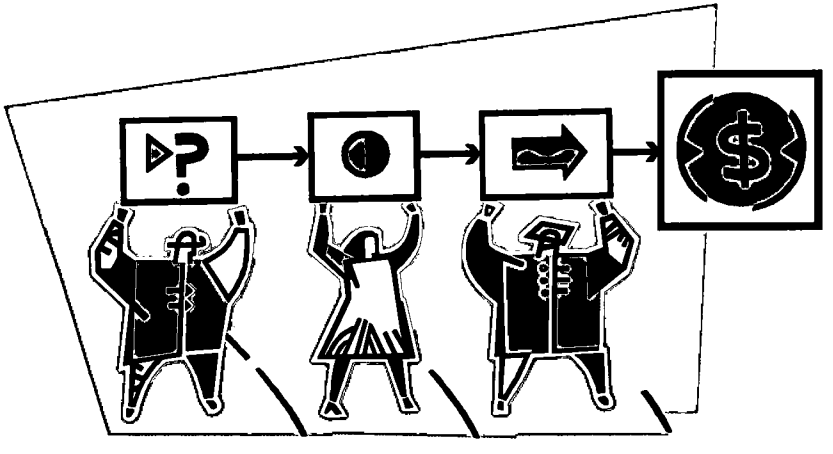
COB PRE-PAY COST AVOIDANCE SOLUTION

Drivers

- DRA of 2005
- State Legislation
- COB/TPL Related Errors
- Poor Post Pay Results
- Inaccurate or Stale Member Information without consistent updates
- Administrative burden on Commercial Payers tied to "Pay and Chase" process
- Minimal Provider Communication



Solution

- Able to leverage existing and proven business processes to create a real-time, member-centric OI solution
- Enhancement of the "pay and chase" process with more up to date member information
- Real-time eligibility checks through existing 270/271 connections with thousands of payers nationwide
- Creation of pre-pay claim-centric process utilizing existing EDI technology and payer/provider relationships
- Claims forwarding capabilities designed to electronically route the claims to the proper payer timely and in compliance with existing processes
- Notification to the provider of the re-routed claim and proper payer

ENROLLMENT INTEGRITY

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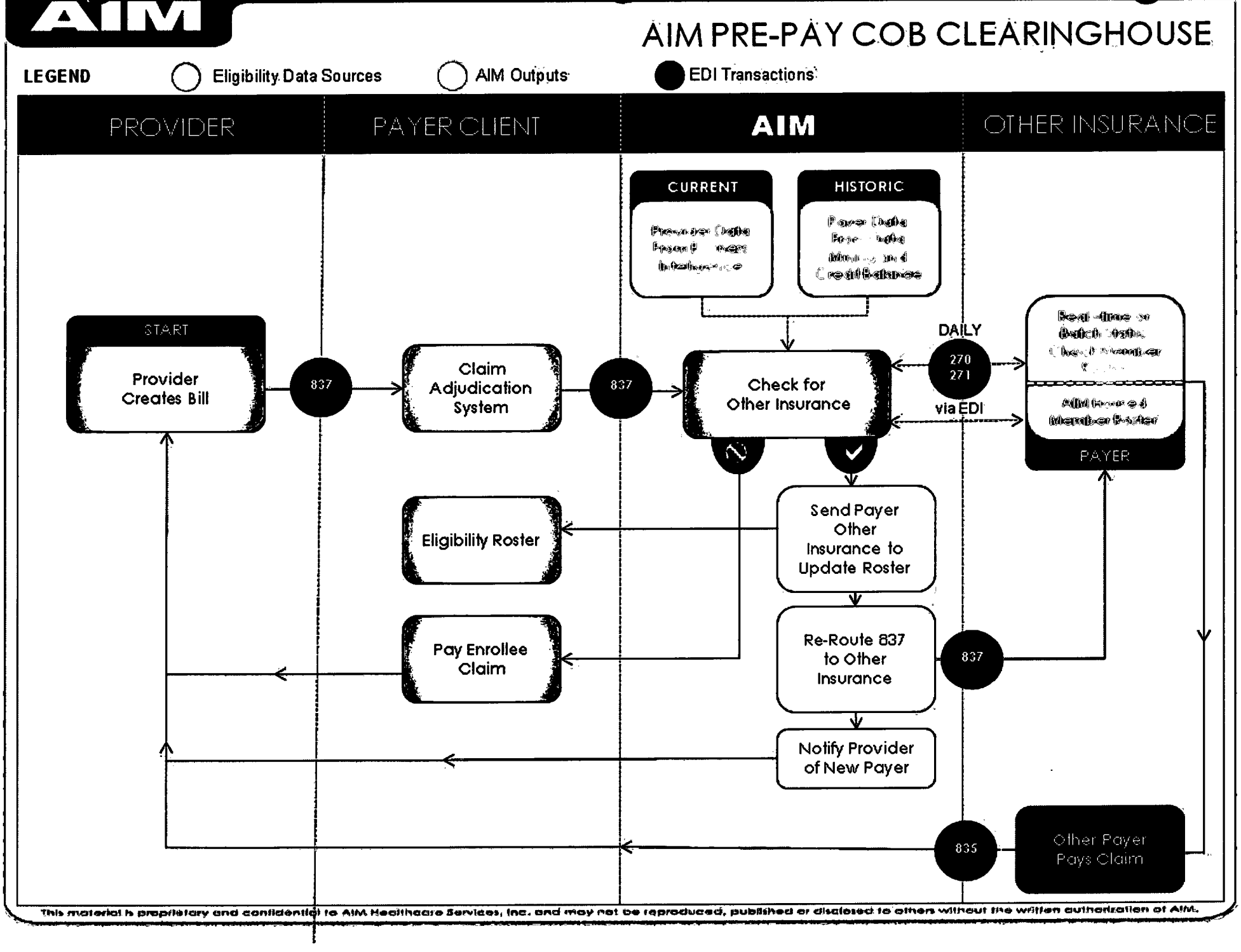
AIM PRE-PAY COB CLEARINGHOUSE



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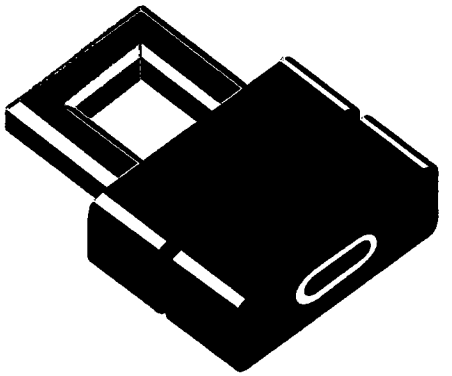
DATA SECURITY

- Personnel Access
  - **Need-to-know requirement** for employee data access
  - Employee **background checks** and drug testing
  - Mandatory **confidentiality agreements** with all staff
  - Required and recurring **privacy & security training**
  - Activity logging and **login tracking**



- Systems Requirements
  - All system and data engineering designed to be **HIPAA** compliant
  - Secured data stored and transmitted using **military grade encryption** within a **protected data center**
  - **Self-destruct application** protecting data in case of laptop theft
  - External **intrusion detections systems** (IDS) as well as internal IDS
  - Investment in cutting edge **DLP (data leak protection)** software

- Continuous Improvement
  - **Annual testing** of security measures including **SAS 70 audit**
  - Security Program in a state of continual enhancement adopting **ISO 27001** standards

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THANK YOU

For additional information on AIM's solutions for the State of North Carolina, please contact:

Brad Hill, Vice President
AIM Healthcare Services, Inc.

E-mail: BHill@aimhealth.com
Phone: 615.503.1870

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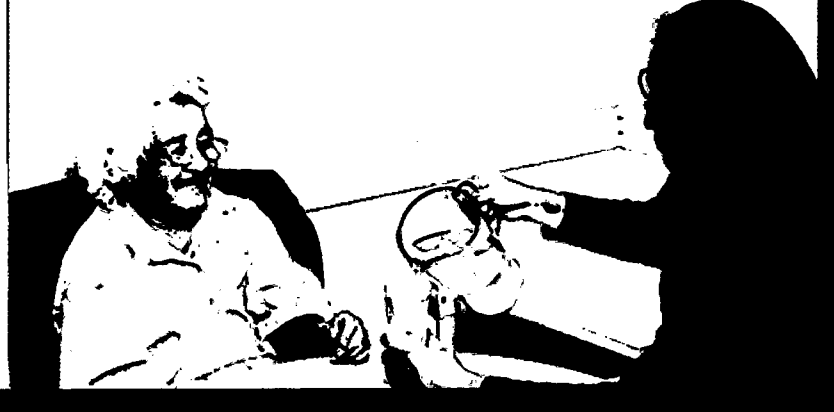
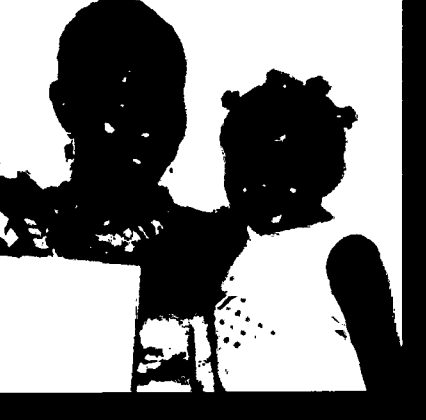
AMERIGROUP®
CORPORATION

Coordinated Long Term Care for Medicaid

April 29, 2009

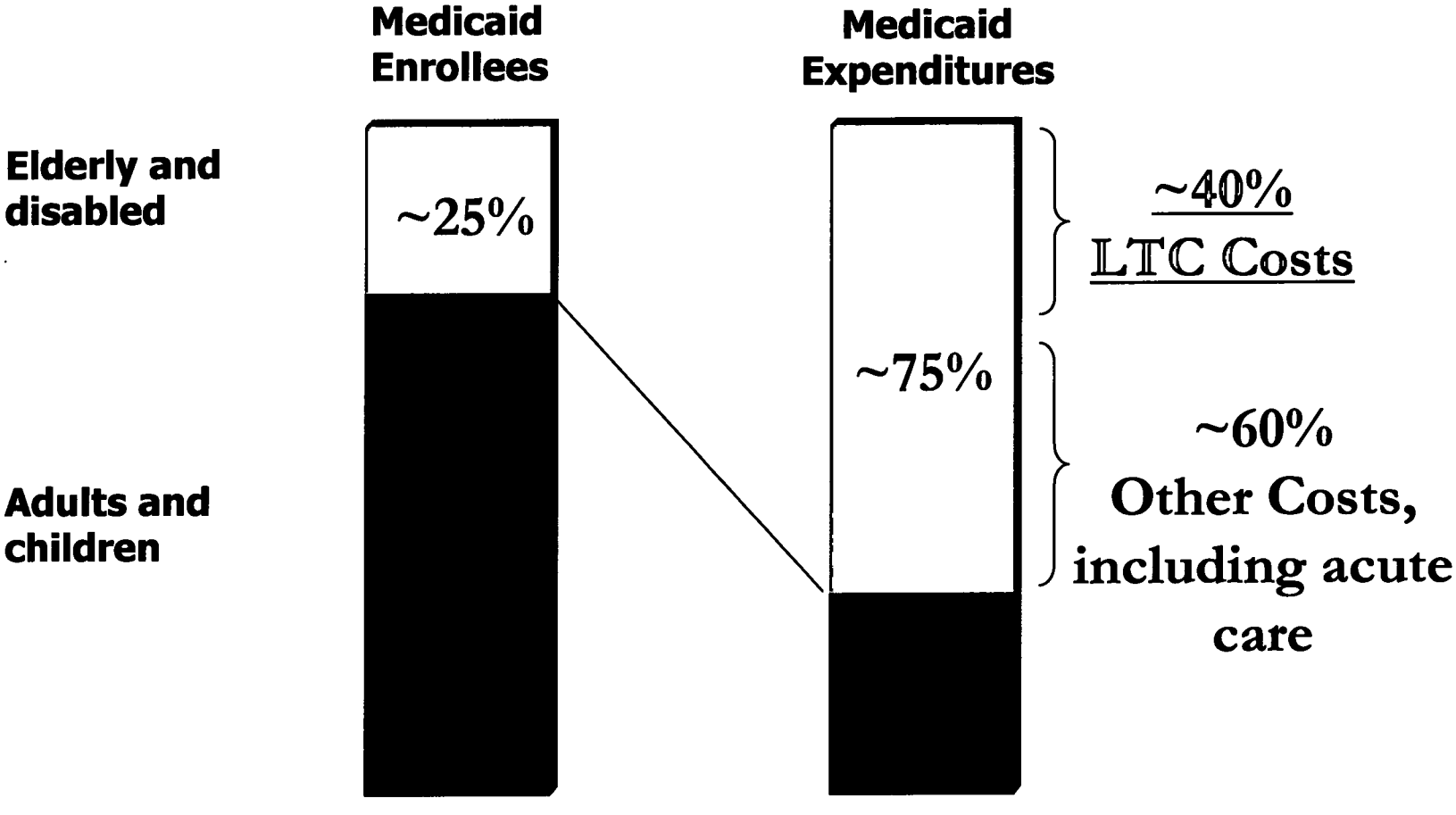




Who is AMERIGROUP?

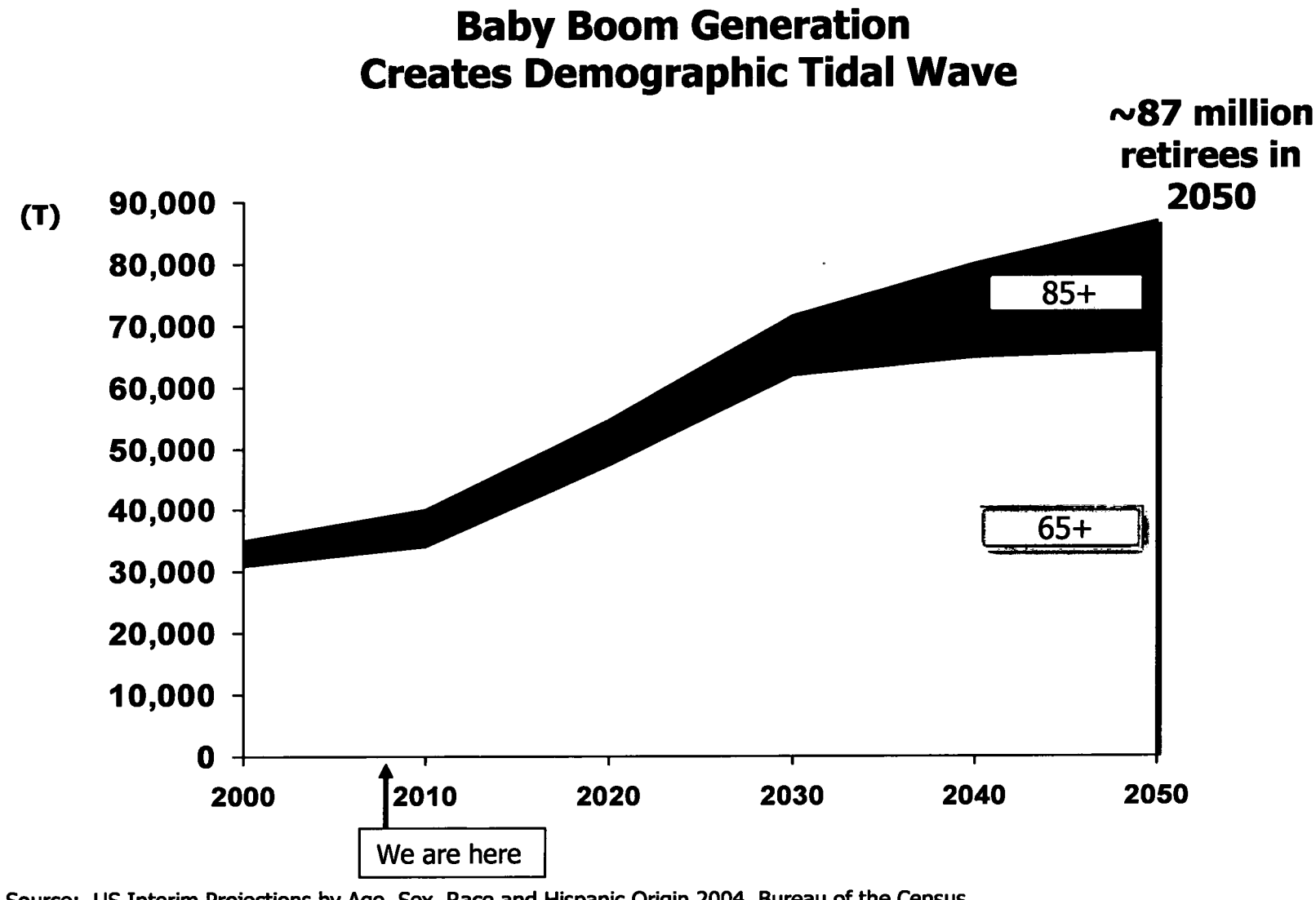
- AMERIGROUP brings healthcare services to more than 1.6 million low-income Americans in eleven states
- AMERIGROUP is the country's leading public company that focuses solely on meeting the healthcare needs of low-income Americans
- We have over twelve years of experience managing public sector programs, including complex needs of Aged, Blind and Disabled beneficiaries
- AMERIGROUP's National Advisory Board (NAB) on Improving Healthcare Services for Seniors and People with Disabilities draws from a range of community advocates and healthcare experts representing organizations such as the American Association of Retired Persons (AARP) and the National Alliance on Mental Illness (NAMI)

Background: LTC costs for the elderly and disabled drive a significant portion of State Medicaid spending



Source: Kaiser Commission estimates based on Medicaid and the Uninsured 2003 MSIS data

Background: LTC costs will continue to escalate with the coming "Tsunami" of elderly Medicaid eligibles



Source: US Interim Projections by Age, Sex, Race and Hispanic Origin 2004, Bureau of the Census

Background: The Kaiser Commission on Medicaid and the Uninsured - Challenges with the Current System

- **"Medicaid will remain the major financing system for long term care in our nation, and the only one addressing the needs of low-income Americans."**
- **"Sustaining Medicaid's ability to meet the needs of low-income elderly and disabled people goes beyond consideration of financing..."**
- **"Difficulties in coordinating services for people with disabilities occur at many levels..."**
- **"Coverage does not always ensure access....[a]mong the consequences of poor care coordination is lack of access to needed services."**

Source: Kaiser Commission on Medicaid and the Uninsured, "Long-Term Services and Supports: The Future Role and Challenges for Medicaid" (September 2007)

CLTC Addresses These Challenges of Quality and Cost

1. Increase **Independence** of Medicaid LTC Recipients

HOW: Match the level of care – i.e. nursing home, adult day care, assisted living - with the needs of the individual

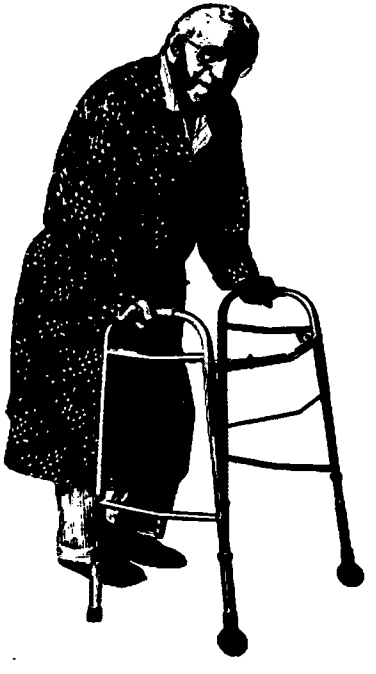
2. Increase Health Care **Quality**

HOW: with a personal care coordinator, health care and other needs are addressed more effectively, in a coordinated and timely fashion

3. Lower Rate of Medicaid Spending

HOW: By better matching an individual's needs to the level of care, and getting needed care on time, costs are reduced

LTC recipients generally have multiple medical conditions and other needs that require support



Mental / Psychiatric Conditions
(e.g. Dementia in the case of the elderly; schizophrenia; depression

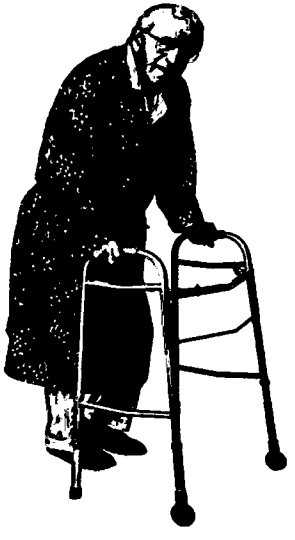
Chronic conditions (e.g. diabetes, arthritis)

Acute Care (e.g. physician services, hospitalization, ER)

Said simply, Coordinated LTC is for people with **a limited ability to care for themselves**

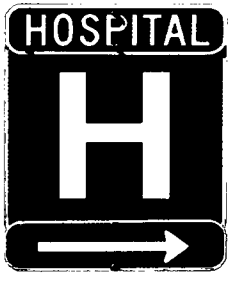
- **Health care services (such as physician, hospital or nursing care)**
- **Personal care (assistance with daily activities such as dressing, bathing, taking medication)**
- **Social services (such as getting meals delivered at home, assistance with utility bills)**

Coordinated LTC programs provide greater oversight & coordination of a LTC member's needs

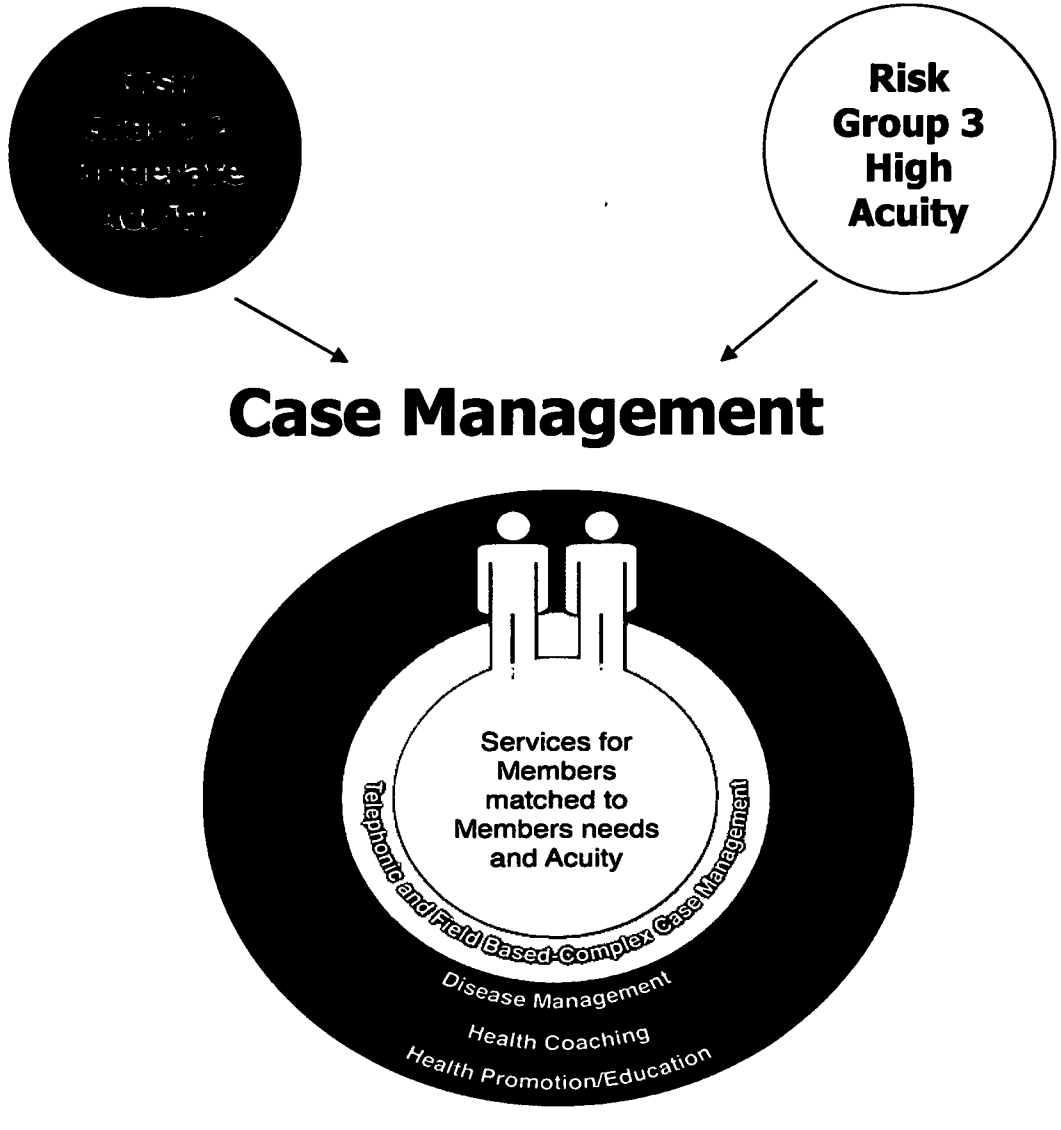


Home Visits & Consultation

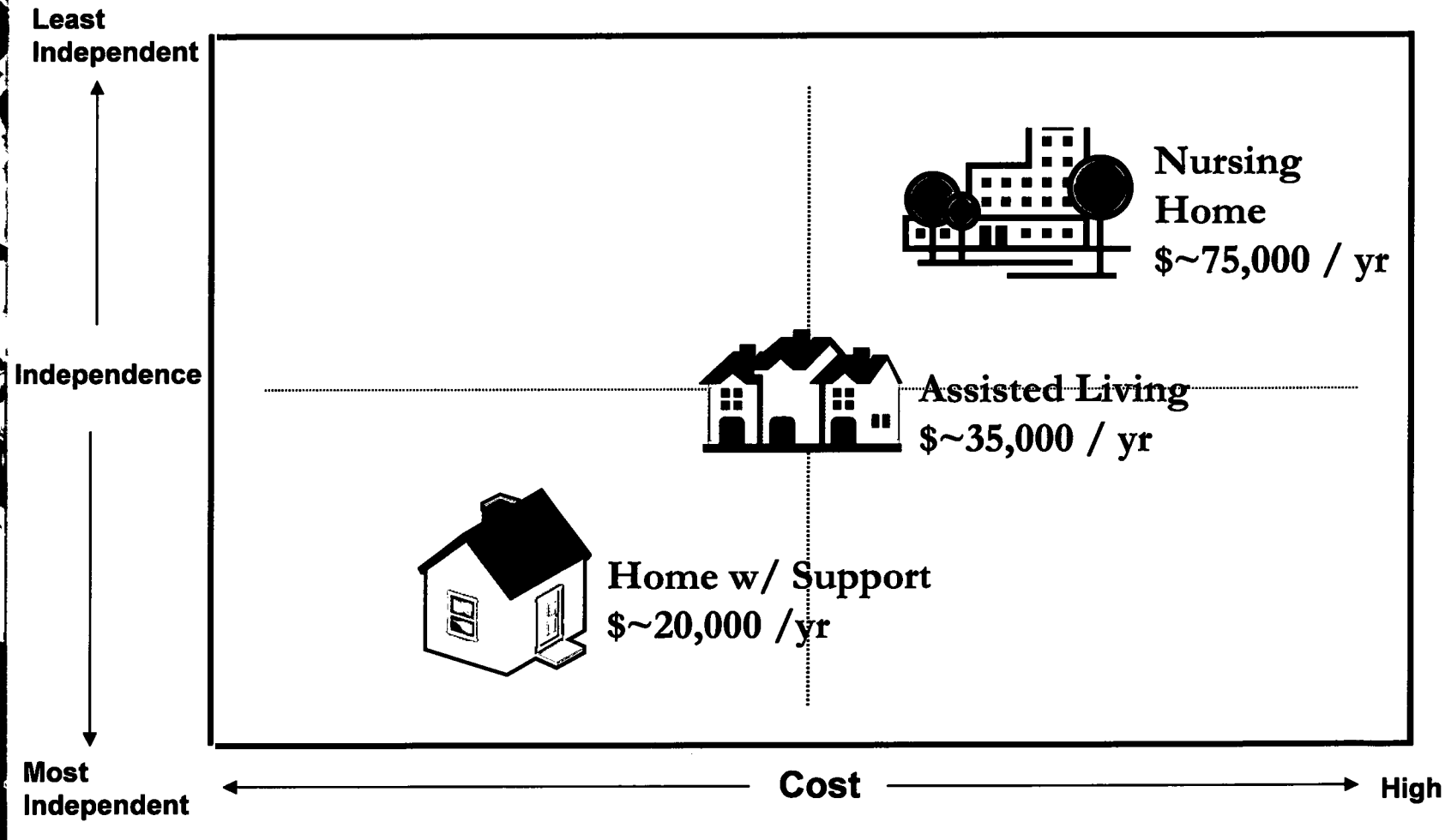
Care Coordinator



The CLTC Care Management Model should focus special attention on individuals with the greatest needs



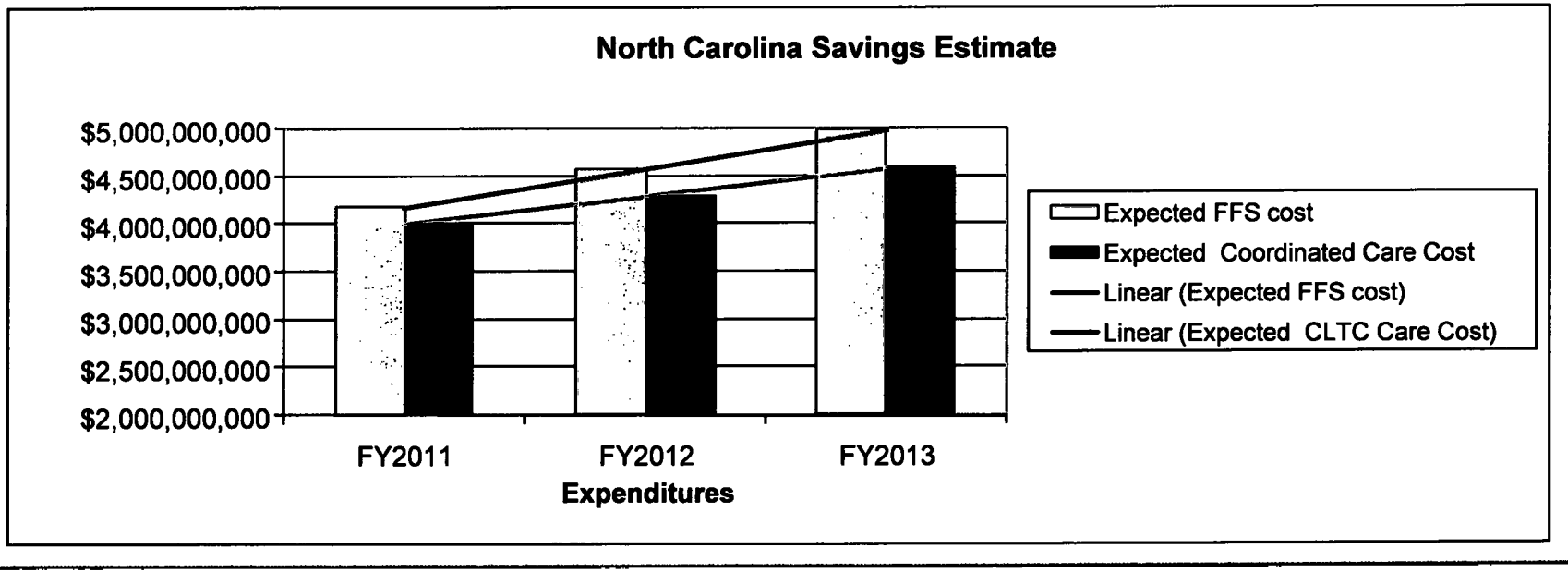
The settings with the most independence are also the least costly and the most preferred by individuals



Source: MetLife Market Survey of Nursing Home and Assisted Living Costs, October 2007
Source: Cost of home care assumes 4 hrs / day of home attendant care.

Estimate of Possible Savings from CLTC in North Carolina

Estimate of possible savings from CLTC in North Carolina compared to current program for 3 year period	FY2011	FY2012	FY2013
Expected FFS cost	$4,183,772,862	$4,564,298,340	$4,979,433,641
Expected Coordinated Care Cost	$4,008,020,876	$4,292,224,850	$4,586,684,072
Total Savings	$175,751,986	$272,073,490	$392,749,569
Total Savings Percent	4.3%	6.2%	8.2%



CLTC – Accountability and Predictability

- Accountability
  - State establishes quality objectives – care management organizations (CMOs) are accountable for meeting those standards
  - Tools for accountability include financial incentives and disincentives for the CMOs to meet or exceed standards
- Predictability
  - Rates to CMOs are set prospectively, and CMOs manage costs within the rates established
  - State budget $$ are managed through the rates paid to CMOs; the CMOs bear the risk for unanticipated medical cost increases

Real Stories: Our LTC Members

- **Our member, Henry, lost everything in Hurricane Katrina and was relocated to Austin, Texas.**
  - At 75, Henry had many major health problems, including an aortic aneurism and a history of seizures. When he got to Austin he was suffering from dehydration and exhaustion. He needed 11 different prescription drugs. He was hospitalized, and then went directly to a nursing home.
- **Henry didn't want to be in the nursing home.**
  - He wanted to take care of himself. AMERIGROUP did a detailed, individual assessment of the kinds of help Henry needed to live independently. Working closely with a community-based mental health service provider, we helped him find and furnish an apartment. We connected him with attendant services, the Meals on Wheels program, and emergency response services. We made sure he saw his doctors and got his prescriptions filled.

Real Stories: Our LTC Members

- **Nine months after leaving a nursing home, Henry is living on his own and hasn't been admitted to a hospital once.**
  - He is living the life he wants to live.
- **By helping Henry avoid unnecessary stays in hospitals and nursing homes, STAR+PLUS and AMERIGROUP help the state use taxpayer dollars effectively.**
  - The Texas Health and Human Services Commission has concluded that STAR+PLUS sharply reduces inpatient hospital admissions and cuts overall healthcare costs by 6.5 percent.
  - The State recently expanded the program to three more metropolitan areas. Enrollment has more than doubled, to 153,000.

In Conclusion: Coordinated Long Term Care – A Solution for States

Coordinated LTC improves the delivery and financing of Medicaid Long Term Care services to provide:

- **Greater independence for Medicaid recipients**
- **Improved quality of care and quality of life**
- **Significantly lower cost to the States**

APPENDIX:

State Long Term Care Programs

New Mexico CoLTS LTC Program

- CLTS program began in August 2008 in 6 counties
- Program to be expanded to 33 counties (statewide) by May 2009
- Current membership is ~10,000
- ~38,000 eligibles statewide; most are dual eligible
- Combines acute care, HCBS and nursing home care for individuals that meet a nursing home level of care, plus "healthy duals"
- Four population cohorts
  - Duals living in the community and not receiving LTC services
  - Nursing home residents residing in a facility > 3 months
  - Personal Care Option waiver participants – age 21 or older with nursing home level of care
  - Disabled and Elderly waiver participants with nursing home level of care

Tennessee Community Choices LTC Program

- Launch expected October 2009
- ~30,000 eligibles statewide
- Most receiving care today through TennCare Medicaid MCOs today, but many LTC services are currently excluded
- Program expected to combines acute care, home and community based services (HCBS) and nursing home care for individuals that meet a nursing home level of care, plus "at risk"
- Three population cohorts
  - Persons age 65 and older and adults age 21 and older with physical disabilities who are receiving Medicaid reimbursed care in a nursing facility (NF)
  - Persons age 65 and older and adults age 21 and older with physical disabilities who meet NF level of care, are receiving HCBS as an alternative to NF care, and who qualify as SSI recipients or in the Institutional Category by virtue of receiving HCBS
  - Persons age 65 and older and adults age 21 and older with physical disabilities who do not meet NF level of care but who, in the absence of HCBS, are "at risk" of institutionalization

Texas STAR+PLUS Overview

- Includes long term and acute care – MCOs required to coordinate both through use of care coordinators
- Serves elderly and disabled
- Integrated model – Medicaid and Medicare
- Almost half of the members are dual eligible
- Participating Plans must have SNP Designation
- Two Plans in each market
- Operational for 8 years
- Approximately 60,000 enrolled
- AMERIGROUP has over 35,000 members in Harris County

Texas STAR+PLUS Results* – Increased Home & Community Services, Fewer Hospital Days and ER visits

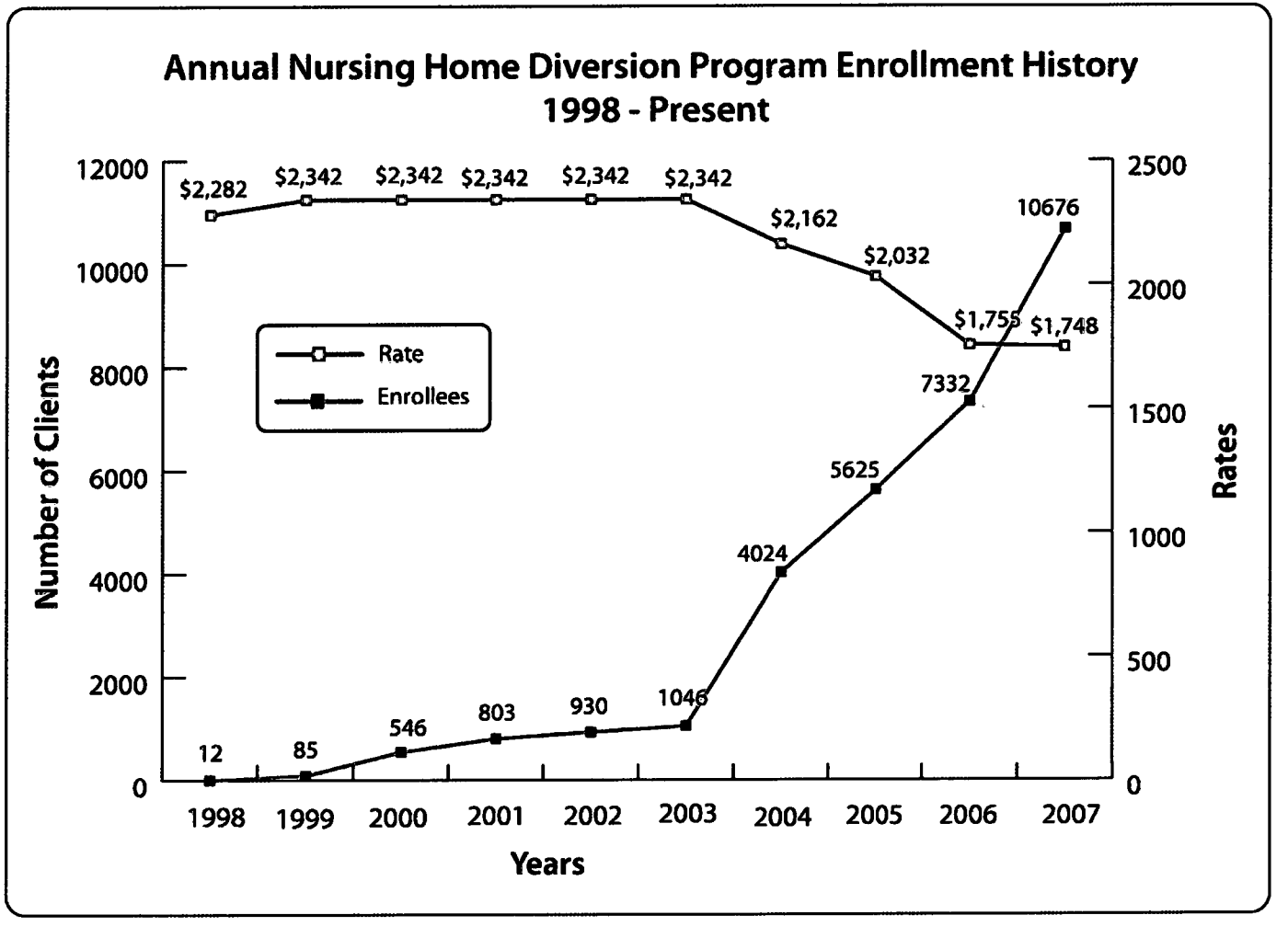
- 38% increase - Members accessing community-based adult day care
- 32% increase - Members accessing personal assistant services
- 28% decrease - Inpatient length of stay
  - Average length of stay reduced from 7.39 days under FFS Medicaid to 6.08 days
- 40% decrease - ER utilization
- Quality of care improved – e.g. more appropriate use of antidepressants and other effective interventions.
- High Consumer Satisfaction

* *Source: Medicaid Managed Care Cost Savings – A Synthesis of 22 Studies, The Lewin Group July 2004, Revised February 2008, p.24*

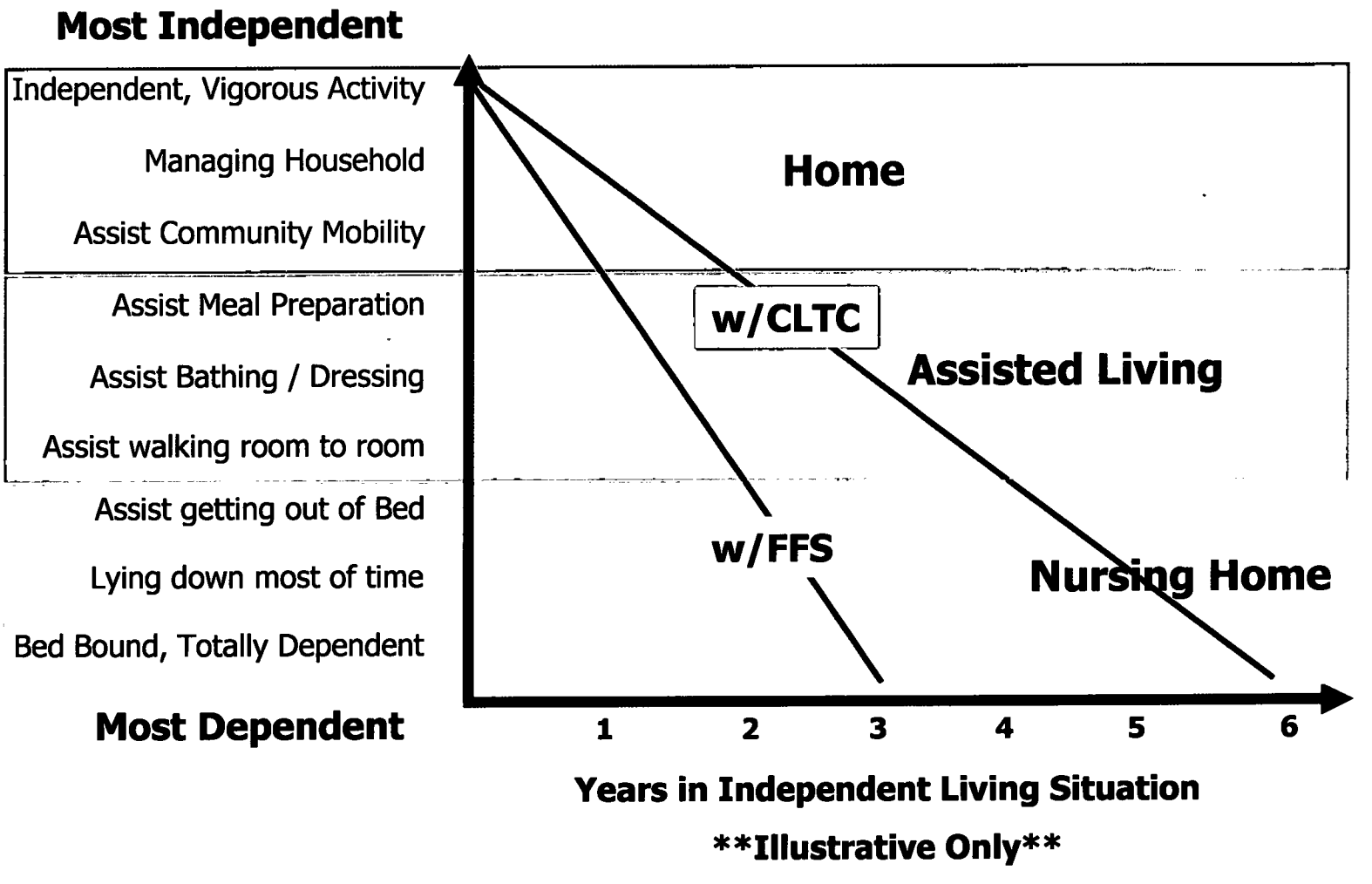
Florida Nursing Home Diversion Program

- The program began operations in 1998
- Operates in 49 counties.
- Participants must be 65 years of age or older, be dual eligible, require daily nursing services and must meet additional frailty criteria.
- Combines a wide-range of HCBS, assisted living and nursing home care
- The average age of enrollees in the Nursing Home Diversion Program (NHD) is 85 years of age.
- Nursing Home Diversion program has successfully delayed participants' entry into nursing homes
- Program participants also experienced shorter nursing home stays and were more likely to return to their homes to continue program services

Florida Nursing Home Diversion Program: Enrollment History and Program Rates



Coordinated LTC can delay costly, restrictive premature institutionalization



Coordinated Medicaid Programs: Value Proposition for States

- **Improve healthcare access** and quality for the financially vulnerable, seniors and people with disabilities
- **Incentives more effectively aligned** to improve prevention, assessment and disease management
- Create innovative **disease and case management** programs targeting the **unique medical needs** of Medicaid members
- **Coordinate and manage care delivering quality services more efficiently**
- Establish deep **presence in the communities** where members live
- Demonstrate **thought leadership on resolving health care challenges for States**
- **Enhanced accountability** on health outcomes measurement and reporting, member and provider satisfaction, and business practices

Innovation in Action: AMERIGROUP'S National Advisory Board

- National Advisory Board (NAB) on Improving Healthcare Services for Seniors and People with Disabilities
  - Represents the voice of the consumer for AGP program design
  - Provides advice and guidance to AGP on delivering highest quality services and ensuring the best health care and community living outcomes to promote independence
  - Led by convener Lex Frieden, a national leader who has been working in the independent living movement and on behalf of people with disabilities since the early l970s
  - Board membership draws from a range of community advocates and healthcare experts representing organizations such as the American Association of Retired Persons (AARP) and the National Alliance on Mental Illness (NAMI)

AMERIGROUP®
CORPORATION

About AMERIGROUP

Who We Are

AMERIGROUP is the leading and largest publicly traded corporation that focuses solely on meeting the healthcare needs of financially vulnerable Americans.

What We Do

AMERIGROUP works exclusively through publicly funded programs such as Medicaid and Medicare. We have two goals. We help the financially vulnerable Americans we serve – as well as seniors and people with disabilities – to lead better, healthier and often more independent lives through preventive healthcare programs. And by helping them avoid unnecessary sickness, we help the state and federal governments that pay for Medicaid and Medicare save money.

Who We Serve

AMERIGROUP is a managed healthcare organization with approximately 1.6 million members. They live in: Florida, Georgia, Maryland, Nevada, New Jersey, New Mexico, New York, Ohio, Tennessee, Texas and Virginia.

Where We've Been

When AMERIGROUP was founded in 1994, we initially targeted the health problems of children, mothers and pregnant women enrolled in Medicaid. Today, Medicaid "moms and babies" still account for about 70 percent of our membership. We offer a wide range of programs that address diseases and conditions common to them, including asthma, diabetes and inadequate prenatal care.

AMERIGROUP expanded rapidly and became a publicly traded corporation in fall 2001. In 2005, *Forbes* magazine named AMERIGROUP one of "America's Best Managed Companies." AMERIGROUP was also ranked number one as top insurer by Modern Healthcare magazine for "Best Places to Work in Healthcare."

Where We're Going

In recent years, spending on Medicaid has accelerated rapidly (it reached approximately $338 billion in 2007 – an amount expected to more than double and exceed $717 billion by 2017), and governments have increasingly turned to AMERIGROUP to help control costs. AMERIGROUP now serves a more diverse and seriously ill group of people – including Supplement Security Income (SSI) eligible recipients and Aged, Blind and Disabled (ABD) recipients – addressing complex physical and psychological illnesses. In 2006, AMERIGROUP also entered the Medicare Advantage program for the first time, serving older, low-income people who are eligible for both Medicare and Medicaid through Special Needs Plans (SNP). In 2007, we began operation of traditional Medicare Advantage plans. Current Medicare expenditures are estimated to exceed $427 billion for 2007, with this figure more than doubling to a projected $884 billion in 2017.*

Today, AMERIGROUP is the country's 8th largest publicly traded healthcare company and ranks number 555 on *Fortune* magazine's list of America's 1,000 largest publicly traded corporations. In 2008, for the fourth time, *Forbes* magazine named AMERIGROUP one of "America's Best Big Companies."

"AMERIGROUP" refers to AMERIGROUP Corporation and its operational subsidiary health plans.
**Source: Centers for Medicare & Medicaid Services, Office of the Actuary*

AMERIGROUP® CORPORATION

Fact Sheet
Fourth Quarter 2008

OVERVIEW

AMERIGROUP Corporation, headquartered in Virginia Beach, Virginia, improves healthcare access and quality for the financially vulnerable, seniors and people with disabilities by developing innovative managed health services for the public sector. Through its subsidiaries, AMERIGROUP Corporation serves approximately 1.6 million people in Florida, Georgia, Maryland, Nevada, New Jersey, New Mexico, New York, Ohio, Tennessee, Texas and Virginia. For more information, visit www.amerigroupcorp.com.

MISSION

To operate a community-focused managed care company with an emphasis on the public-sector healthcare market. The Company will coordinate our members' physical and behavioral healthcare, offering a continuum of education, access, care, and outcome, resulting in lower costs, improved quality and better health status for Americans.

BACKGROUND

In 1994, AMERIGROUP was founded to respond to the growing need for private-sector partners in states managing healthcare programs for lower-income families and people with disabilities. Since its inception, AMERIGROUP has been a proven leader in meeting the states' objectives of providing accountability and improving access to healthcare while still controlling care costs. Today, AMERIGROUP is the largest publicly-traded company focused exclusively on the healthcare needs of Medicaid recipients and the uninsured.

RECENT EVENTS

- AMERIGROUP to Establish Public Policy Institute (Jan. 12, 2009)
- AMERIGROUP Honored for Community Involvement, Volunteer Service (Dec. 22, 2008)
- AMERIGROUP Corporation Named One of Best Places to Work in Healthcare (Oct. 30, 2008)
- AMERIGROUP Names Five Members to National Advisory Board on Improving Healthcare Services for Seniors and People With Disabilities (Oct. 13, 2008)
- AMERIGROUP Launches Disaster Response Team (Sept. 17, 2008)

CORPORATE FACTS

Membership:	1,579,000 (as of 12/31/08)
Stock Symbol:	NYSE: AGP
Associates:	4,100 (as of 12/31/08)
Web Site:	www.amerigroupcorp.com
Chairman & CEO:	James G. Carlson

COMMUNICATIONS CONTACT:

AMERIGROUP Corporation
4425 Corporation Lane
Virginia Beach, Virginia 23462 ■ 757-321-3592

HEALTHCARE PRODUCTS *(as of 12/31/08)*

TANF (1,057,000 members)

A family-focused Medicaid managed healthcare product. This product is designed for the Temporary Assistance to Needy Families, or TANF, population that consists primarily of low-income children and their mothers.

SCHIP (291,000 members)

A managed healthcare product for uninsured children not eligible for Medicaid. This product is designed for the State Children's Health Insurance Program (SCHIP) initiative.

ABD (182,000 MEMBERS)

A managed healthcare product designed for Supplemental Security Income, or SSI, recipients. This population consists of the low-income aged, blind or disabled, or ABD.

FamilyCare (40,000 members)

A FamilyCare managed healthcare product focused on uninsured adults and parents of SCHIP or Medicaid-eligible children.

Medicare Advantage (9,000 members)

Medicare health plans focusing on low-income Medicare beneficiaries, consisting of regular Medicare plans and Special Needs Plans (SNPs) for dual-eligible beneficiaries with both Medicare and Medicaid.

REAL Stories

Real Stories of Success, One Member at a Time

Supporting State Governments

Nelson Sabatini has coped with a lot of health problems. As a former Secretary of Health for the State of Maryland, Sabatini has helped ensure the well-being of 5 million people. He served in the position under two governors, one a Democrat and one a Republican.

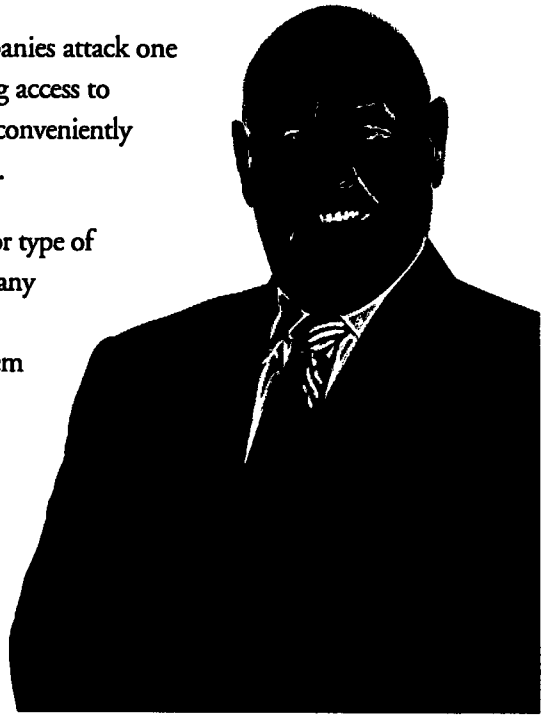
One of the toughest health issues he ever tackled, Sabatini says, was the rapidly rising cost of Medicaid. He believes the solution lies with companies like AMERIGROUP.

"Medicaid is probably the most serious problem that both the states and the federal government have today," Sabatini says. "I am convinced that managed care is going to be the thing that will change this program and possibly make it sustainable."

Sabatini believes that AMERIGROUP's approach to healthcare coverage for people enrolled in Medicaid can simultaneously accomplish two things that appear contradictory: it can help individuals lead healthier lives at the same time it saves taxpayers money.

"I saw AMERIGROUP as a company that improved access to high quality care for poor people and also controlled the growth in costs," he says.

Sabatini says that AMERIGROUP and other public-sector healthcare companies attack one of the most basic healthcare problems facing low-income people — getting access to physicians and other healthcare services — by assembling large groups of conveniently located healthcare providers who agree to serve people enrolled in Medicaid.



Under traditional Medicaid, low-income people must find the right doctor or type of healthcare they need on their own. In the AMERIGROUP model, the company assembles networks of physicians, assesses individual healthcare needs and encourages members to participate in a variety of programs that prevent them from getting sick and help keep chronic illnesses under control.

"AMERIGROUP moved into a part of the State where access to healthcare had been limited," Sabatini says. "They made sure that the underserved population, in both rural areas and the inner city, had access to care that I don't believe they would have had under the traditional (Medicaid) program."

Nelson Sabatini, Former Secretary of Health for the State of Maryland

Sabatini says that "by maintaining health rather than just treating illness," AMERIGROUP and other public-sector healthcare companies change the way that state government healthcare dollars are used and bring down overall healthcare costs. He praises this approach as "a more disciplined use of the healthcare system and healthcare resources."

Sabatini believes state governments are only beginning to tap the capabilities that public-sector healthcare companies bring to Medicaid. The biggest challenge, he says, is changing the way that people with complex, long-term physical and psychological disabilities get healthcare.

"The next important step for any state is to expand programs for the disabled, the chronically ill and the frail elderly," Sabatini says. "That's the opportunity we must take advantage of.

"I saw AMERIGROUP as a company that improved access to high quality care for poor people and also controlled the growth in costs."

NELSON SABATINI
Former Secretary of Health
for the State of Maryland

REAL*Stories*

Real Stories of Success, One Member at a Time

Teaming With Providers

All Carol Wittington-Washington, N.P., does — all she has ever done — is care for the health of low-income families. When she needs help, she turns to a valued partner that treats her "like a member of the family." She turns to AMERIGROUP.

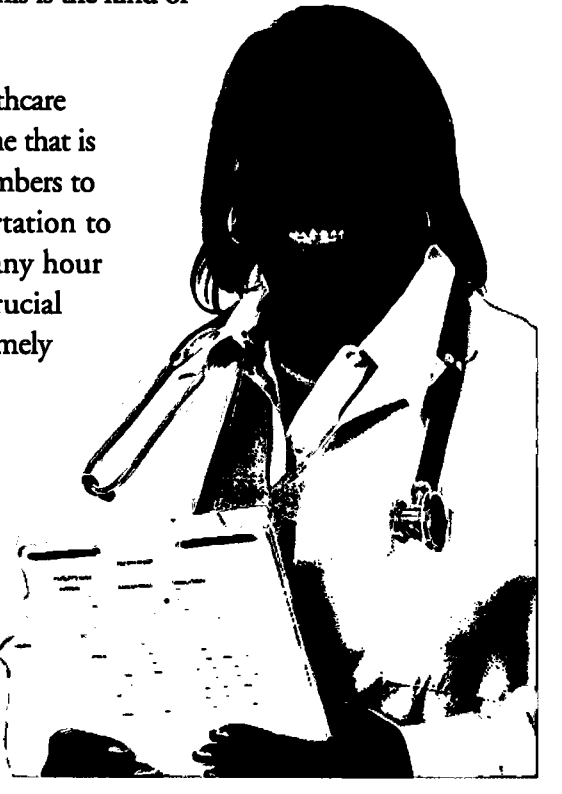
Washington's job is looking out for the well-being of 2,300 people. A nurse practitioner and Chief Executive Officer of The Kidz NP, Inc. in the Maryland suburbs of Washington, D.C., she is the primary care provider for the people she serves. Virtually all her patients are enrolled in Medicaid. So, Washington must do more than diagnose and treat their illnesses. She must run the gauntlet of economic and logistical problems that often prevent them from getting the care she offers.

That's where AMERIGROUP comes in. Washington says that when she sees a new patient, some insurance companies may take up to 10 days to process the paperwork she needs to offer treatment. "But AMERIGROUP does it for me in one phone call," she says. "One call to Virginia Beach, and I can see a child that day. And they help me with my outreach. Sometimes I may not be able to reach a patient, a child, because I have an inaccurate address or phone number. Again, one phone call, and AMERIGROUP helps me get in touch."

Far too often, Washington treats children with asthma — children who sometimes have serious trouble breathing. When they need assistance from a device called a nebulizer, they usually have to wait for delivery. But Washington is part of an AMERIGROUP program that enables her to provide nebulizers on the spot. "This is the kind of immediate care that can keep a child out of the hospital," she says.

AMERIGROUP does much more to help Washington and other affiliated healthcare providers serve their patients. The Company offers members a Nurse HelpLine that is available 24 hours a day in more than 60 languages. AMERIGROUP calls members to remind them of appointments with physicians and often arranges transportation to make sure they get there. Doctors and nurses can call AMERIGROUP at any hour with questions about a member's care or administrative issues that are crucial to their businesses. AMERIGROUP ensures that providers receive fair and timely compensation for the care they give patients.

Most important, AMERIGROUP helps providers offer aggressive, highly structured treatment for a variety of illnesses that exact a heavy toll on low-income Americans, including asthma, diabetes, sickle cell anemia and AIDS. AMERIGROUP provides a program of prenatal and early childhood care that gives children born to Medicaid families a healthy start in life.



Carol Wittington-Washington, Nurse Practitioner and AMERIGROUP Provider

Washington has devoted her entire 19-year career to caring for low-income families. She knows too well that many healthcare organizations fail to understand her patients' needs or to offer services that address those needs. But with AMERIGROUP, she says, "I don't feel like I'm just a provider or a provider number. I feel like I'm part of the family, and I feel like together we're helping to make children better."

"I feel like I'm part of the family, and I feel like together we're helping to make children better."

CAROL WITTINGTON-WASHINGTON
Nurse Practitioner and
AMERIGROUP Provider

REALStories

Real Stories of Success, One Member at a Time

About AMERIGROUP Helping Mothers and Infants

Katoria Tinsley was worried. A mother of two girls, both of whom had been born prematurely, Tinsley had seen both struggle with health problems from birth. As she awaited the birth of her third child, she very much wanted things to be different.

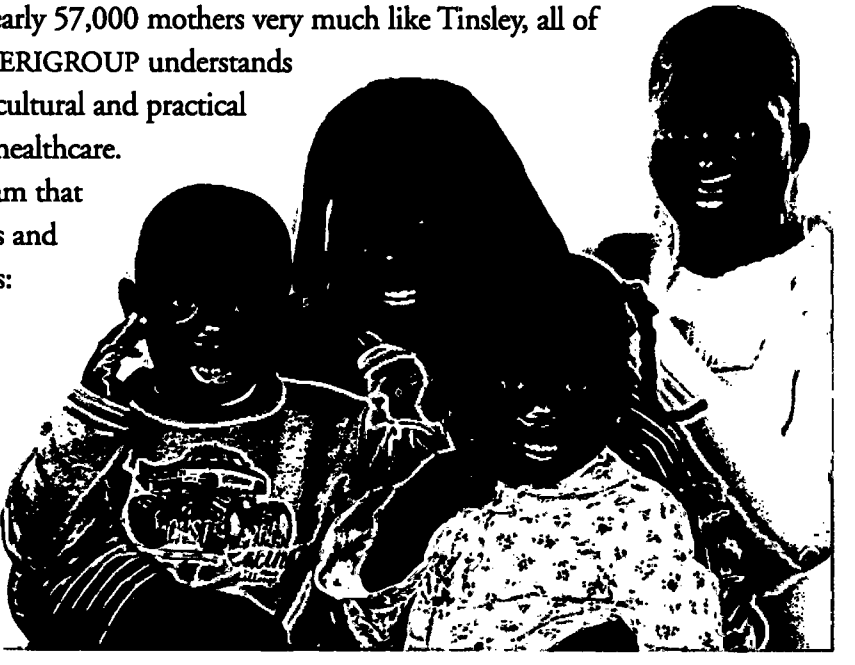
Tinsley learned early in her pregnancy that this time there would be a clear difference. This time she was covered by AMERIGROUP.

When her two older children were born, Tinsley recalls, she was covered by traditional, employer-financed insurance. "There was nothing spectacular about it," she says. "If I ever called, I'd get bounced around to nine different customer service reps, each of them without a clue."

Tinsley was shocked when she picked up the phone and AMERIGROUP was on the line. "It's a nurse calling from AMERIGROUP and she's my case manager, wanting to know everything," Tinsley says. "Am I getting to my doctor's appointments? Do I need a ride to the doctor? Am I having any symptoms? She would regularly call and ask me certain questions that might not have dawned on me."

Just as surprising, Tinsley found that getting healthcare services through AMERIGROUP was simple. "If you're sick, you want someone who can give you exactly what you need," Tinsley says. "AMERIGROUP has that."

This year, AMERIGROUP will touch the lives of nearly 57,000 mothers very much like Tinsley, all of them low-income women served by Medicaid. AMERIGROUP understands that our members confront an array of economic, cultural and practical barriers that can make it very difficult to get basic healthcare. We've designed a prenatal and neonatal care program that breaks down these barriers and connects our moms and babies with the care they need. Here's how it works:



- **We don't just wait for our members to seek prenatal care; we look for members who might be pregnant.** AMERIGROUP maintains member profiles that include about a dozen indicators that suggest someone might be pregnant. If any of these indicators show up – for example, if a

member gets a prescription for prenatal vitamins – we contact that member and ask if she is expecting.

- **If a member is pregnant, we conduct a screening to determine whether she has health problems that make the pregnancy high risk.** AMERIGROUP has designed a brief but thorough telephone interview that assesses whether a member has health issues that might lead to a difficult pregnancy.

- **When a pregnant member has special health needs, we assign a nurse as her case manager to help her identify and obtain the right care.** By assigning an individual case manager to work with a pregnant woman, we can significantly decrease the chance that her baby will be born prematurely.

"What I feel with AMERIGROUP is relief. It's a relief to know that my health insurance will take care of my children. I know they'll get what they need."

KATORIA TINSLEY
AMERIGROUP Member

- **We ensure that an obstetrician will be available to treat every one of our members who is pregnant.** Unlike traditional Medicaid, which puts the burden of finding a doctor on individual recipients, AMERIGROUP constructs a network of doctors and specialists who agree in advance to treat all AMERIGROUP members. The providers must be in locations that are convenient to the neighborhoods that AMERIGROUP serves. If an AMERIGROUP member does not choose a doctor and obstetrician, appropriate physicians are assigned to her.

- **We follow up repeatedly with our members who are pregnant.** In states that provide a transportation benefit, we arrange for our members to get a ride to the doctor's office. We remind our members by phone and mail when they have scheduled a doctor's appointment.

- **We provide a 24-hour-a-day Nurse HelpLine to address all our members' healthcare concerns.** To get reliable healthcare information to our members whenever they need it, AMERIGROUP offers a round-the-clock health line that provides simultaneous translation in dozens of languages. We also offer award-winning, multilingual materials that help our mothers understand how best to care for themselves and their newborns.

The results of this program are significant. The rate of premature births among AMERIGROUP members is less than 10 percent - about half the rate of African Americans nationwide (17.9 percent) and well below the overall national rate (12.5 percent).* This means that many more babies get the healthy start in life that they deserve. And there is less demand for the extremely expensive treatment measures required by premature infants, enabling the state governments that pay for Medicaid to save money.

For Katoria Tinsley, the results were not measured in numbers. She gave birth to her son, Reggie, after carrying him through a full nine months of pregnancy. And she values the quality healthcare AMERIGROUP has provided for Reggie and his sisters, Ryan and Miracle.

"What I feel with AMERIGROUP is relief," Tinsley says. "It's a relief to know that my health insurance will take care of my children. I know they'll get what they need. And I know the number to call to make sure they get it."

* Centers for Disease Control and Prevention, *National Vital Statistics Reports*, Dec. 29, 2005

REAL*Stories*

Real Stories of Success, One Member at a Time

AMERIGROUP Case Managers: Advocates for Our Members

AMERIGROUP Behavioral Health Case Manager Kathleen Dunn likes to tell members, particularly the young mothers, about her grandson. When she's on the phone, whether it's a call she receives or one of the many calls she makes, she'll inevitably start talking about 6-year-old Candin. She'll rave about his beautiful eyes, his love of trains and his latest milestones. She'll even marvel at her daughter Krishonda's hard work and determination in raising him. It's possible the members have seen the family themselves – being the focus of newspaper articles and hospital publications, hosting their own web site and even appearing on national talk shows.

That's OK. Dunn wants the exposure for her grandson. More important, she wants the exposure for his condition: child autism. Thanks to the efforts of Dunn and others like her, awareness about autism is increasing. Autism is the fastest-growing developmental disability in the United States. Though 1 in 150 children have been diagnosed with autism, the ratio should continue to rise, as 67 children are diagnosed each day, with boys being four times more likely than girls to suffer from autism. But the diagnosis can be hard to come by, particularly for financially vulnerable populations who may be entirely unfamiliar with the disease. But here, AMERIGROUP members have an advantage: They have Kathleen Dunn.

Kathleen Dunn, AMERIGROUP *Case Manager*

"I can hear it when I get these young parents on the phone," she says. "I am usually speaking with the mother, who may be handling the situation by herself. She is tired and at the end of her rope. She has heard that she has a bad child with problems at school. That's when we work to find out if there's more to the situation."

Dunn isn't doing all the talking. She's asking questions, searching for indicators that a larger condition may exist. Then, if criteria are met, she'll recommend a neurological evaluation. In fact, she'll do more than recommend it; she'll actually make the call to the pediatric neurologist herself.

These doctors are busy, and the wait time for an initial appointment can be three or four months," Dunn says. "But these mothers need answers right away. So I will call up the doctor's office, and I plead and beg as best and as nice as I can. You have to have humility. I'm not too proud to beg when it comes to the children."

"I'm not too proud to beg when it comes to the children."

KATHLEEN DUNN
AMERIGROUP Case Manager

Dunn is fighting for several reasons, personally and professionally. She knows that awareness – on both a global level, and on an individual level – is crucial. "With anything in life, when you understand, you are better prepared," she says, echoing the advice she offered her daughter upon Candin's diagnosis three years ago.

Since that time, in addition to participation in autism awareness walks and fundraisers, Dunn found her way back into working with managed care populations when she joined AMERIGROUP in time for the state of Tennessee's rollout of the restructured TennCare program in April 2007. "I wanted to come back and work in managed care under the new program," she says, "I wanted to help the indigent. I felt that was my mission. And AMERIGROUP has allowed me to do that. We have an integrated approach to behavioral health that allows everybody to work together for better treatment for the members."

What Dunn is putting into action is AMERIGROUP's Integrated Medical Management Model ("IM3"), which addresses behavioral, social and physical care in an overall effort to meet the complete needs of members. The process is to identify, assess, implement and monitor – all with a personal, human touch. Truth is, what Dunn does at AMERIGROUP isn't unusual, but it is extraordinary.

Throughout AMERIGROUP's 11 health plans, more than 300 assigned case managers – including those with a focus on behavioral health, like Dunn – work with a multi-disciplinary team to develop and support individualized care plans on behalf of the members. At AMERIGROUP, they're part of a coordinated care team that, companywide, consists of 700 doctors, nurses and social workers. In addition to connecting members to the right medical care, this integrated care process includes identifying community resources and providing health education and support on a number of levels.

"We are consistent in the integrated approach to our members and have physical and behavioral health case managers at the table when we are discussing clinical cases," says William Wood, M.D., AMERIGROUP's Chief Medical Officer of Behavioral Health in Tennessee. "We are also focused on the early and consistent identification of members who need services so as to keep them at their optimal level of function and in the community with whatever support is necessary."

AMERIGROUP *Case Manager Kathleen Dunn with her daughter Krishonda and grandson Candin*

It's her aggressive nature that has led Dunn to help so many families through the trauma of the diagnosis and ensuring these young, vulnerable members get the services they need as children with disabilities. Like the 8-year-old boy who, having never been seen for autism, faced expulsion from school. Or the 14-year-old middle-schooler whose mom

thought he suffered from attention deficit disorder. "It breaks my heart to see these children go so long without treatment," she says.

The help which Dunn provides these beleaguered parents is more than a suggested course of action or single isolated conversation; it's a relationship. "I stay in constant contact," she says. "I call and tell them, 'You're doing a great job.' I praise them. Somebody's got to. If you don't praise them, no one will. And I cry with them. And, before we get off the phone, I always, always find something to laugh about with them. It truly is part of the medicine. I give them everything I have to give."

For Kathleen Dunn, it all goes back to her grandson Candin. "Had we not had him," she says, "we wouldn't be as educated or as passionate. He united the family and helped us to be able to help others.

"We have an integrated approach to behavioral health that allows everybody to work together for better treatment for the members."

KATHLEEN DUNN
AMERIGROUP Case Manager

"We are advocates," Dunn continues, adding that the family's annual goal is to raise $5,000 for autism awareness through the meals they prepare together for Nashville-area businesses. "And I am so proud of how hard my daughter has worked. She is not just an advocate for autism; she is an advocate for all of those with special needs."

Evidently, it runs in the family.

REAL*Stories*

Real Stories of Success, One Member at a Time

AMERIGROUP Case Managers: Learning, Listening and Teaching

Six-year-old Angel Contreras had barely started first grade when he fell behind other students in his class. The problem wasn't that he couldn't or wouldn't learn. The problem was Angel's asthma.

Last fall, when Angel enrolled in elementary school in Mesquite, Texas, his chronic asthma turned life upside down for his whole family. Angel hacked and coughed through sleepless nights, regularly visited hospital emergency rooms and missed day after day of class. His mother, Raquel, lost sleep, missed work and struggled to care for Angel and his 5-year-old twin sisters.

Karen Maier, AMERIGROUP *Case Manager*

Then Karen Maier called. A registered nurse and case manager for AMERIGROUP Community Care, Maier has been fighting asthma for more than 20 years. She's worked as a pediatric hospital nurse and raised two children who suffered serious asthma. Maier's goal was simple: She wanted to help the Contreras family learn things she had spent two decades learning herself.

Through a series of monthly conversations, Maier offered Raquel Contreras practical advice about controlling asthma. Maier suggested that hypoallergenic bedding might help Angel breathe better at night; Raquel bought the items the next day. Maier provided a simple tube-like device that helped Angel's asthma inhaler work more effectively. She helped Raquel carefully monitor Angel's symptoms and use of asthma medications, so Raquel could give detailed information to Angel's doctor.

"It's a lot like being a detective," Maier says of her work with AMERIGROUP members who have asthma. "You have to ask a lot of questions to figure out exactly what their condition is. And when you find out, you have to teach them how to talk to their doctor about it."

Asthma is a condition AMERIGROUP monitors closely in its members. In fact, asthma is one of eight Disease Management programs for which AMERIGROUP has earned accreditation from the National Committee for

Quality Assurance (NCQA). AMERIGROUP's other NCQA-accredited Disease Management programs include chronic obstructive pulmonary disease; coronary artery disease; congestive heart failure; diabetes; major depressive disorder, schizophrenia and HIV/AIDS. Such conditions, including asthma, can be common among the vulnerable populations served by AMERIGROUP, and the opportunity to make a difference in these members' lives through dedicated outreach programs is tremendous.

Maier's work gets significant results. She's trained other AMERIGROUP case managers in her techniques for counseling asthmatics. And she's a founding member of the Asthma Coalition of Texas, a group of healthcare professionals that advises the State of Texas on its efforts to combat this disease.

"Nobody ever took the time to talk to me about asthma until Karen."

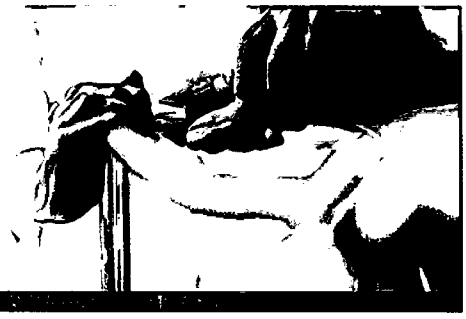
RAQUEL CONTRERAS
AMERIGROUP Member

But Maier sees her most important results in children like Angel. In the year before Maier began working with his family, Angel visited hospital emergency rooms 11 times for asthma treatment; in the six months since Maier's first call, he has visited the ER once. He is sleeping through the night and rarely misses school. Raquel says that Angel is now one of the strongest readers in his class.

"Nobody ever took the time to talk to me about asthma until Karen," Raquel Contreras said. "It's made a huge difference for our family and for Angel."

REALStories

Real Stories of Success, One Member at a Time



Reaching Out To New Members

"HOW ARE YOU FEELING?" is not a casual question for Robert Qualls and Shirley Boothe. On any day, the answer can involve a dizzying array of medical, emotional and logistical issues that, for Qualls, literally are a matter of life and death.

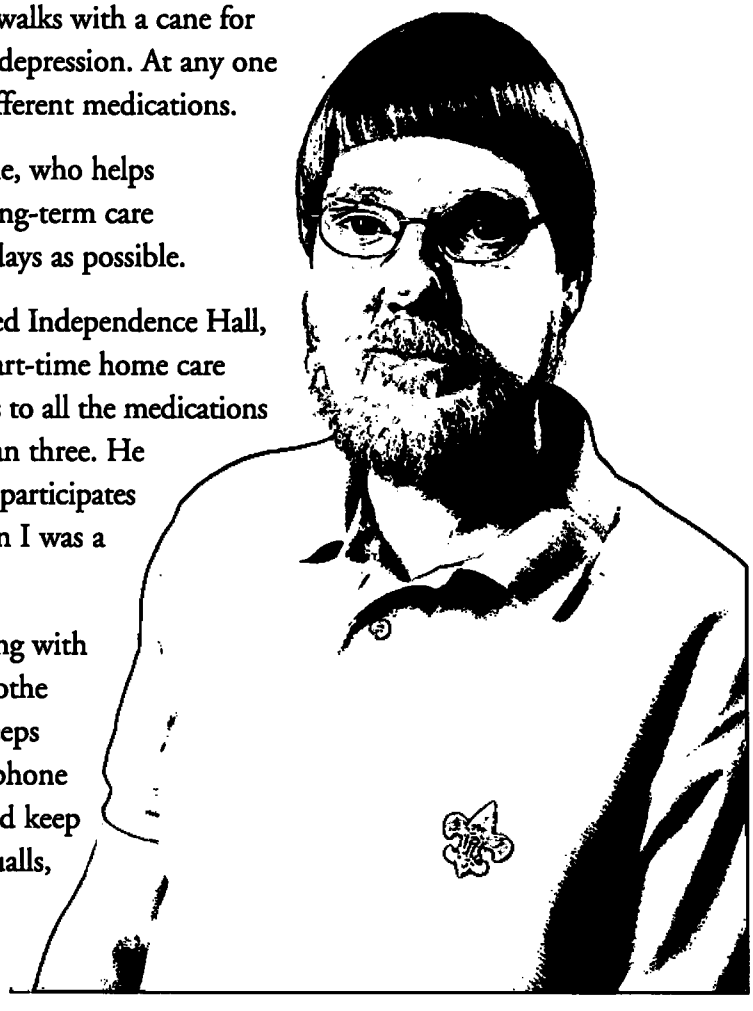
Qualls, 44, of Houston, is an AMERIGROUP member who participates in an innovative program that the State of Texas offers people who are enrolled in Medicaid and have long-term physical or psychological disabilities. Boothe is Qualls' AMERIGROUP care manager, the one person he can turn to for help in addressing virtually all his health needs. And as Qualls observes, "I deal with a very full plate of physical and emotional issues."

Qualls was born with hydrocephalus, a buildup of fluid in the brain that he estimates has required "somewhere between 20 and 30 brain surgeries" to date. Complications from that condition have left him with cerebral palsy. He is legally blind, he walks with a cane for ılance and he struggles with chronic pain, anxiety and depression. At any one time, he says, he is being treated with about 10 to 12 different medications.

"Robert has his good days and his bad days," says Boothe, who helps him work through both. Boothe and AMERIGROUP's long-term care program, AMERIPLUS, see that there are as many good days as possible.

Qualls lives independently in an apartment complex called Independence Hall, which is built to accommodate physical disabilities. A part-time home care attendant helps him keep his place in order. He has access to all the medications he needs; previous programs limited him to no more than three. He spends his good days at an adult activity center, where he participates in a scouting program. "I dreamed of being a scout when I was a boy," he says. "I was 40 years old when it happened."

The AMERIPLUS program coordinates these services along with Qualls' numerous physicians and prescriptions, with Boothe serving as the central link. She visits him periodically, keeps abreast of his medical records and is never more than a phone call away. "My goal is to offer Robert encouragement and keep ˈ im participating in his activities," Boothe says. Says Qualls, Shirley, God bless her, she does great."



Robert Qualls, AMERIGROUP member

AMERIGROUP is one of the few companies that has developed and deployed a comprehensive long-term care program like AMERIPLUS. Qualls and Boothe know that long-term care is literally a never-ending challenge; the right help and support for urgent individual needs can never come soon enough. But for Boothe, the task is more than worthwhile. "It's a hard thing to do,"Boothe says. "It can be frustrating. But if you do it well, it's very rewarding. When you have someone look you in the eye and say, 'You're an angel sent from heaven,' well, you'd have to be tougher than an old boot not to feel that."

"Shirley, God bless her, she does great."

ROBERT QUALLS
AMERIGROUP Member,
On His Case Manager, Shirley Boothe

MINUTES

HEALTH AND HUMAN SERVICES
APPROPRIATIONS SUBCOMMITTEE

TUESDAY MAY 5, 2009
8:30 AM
ROOM 643 LEGISLATIVE OFFICE BUILDING

The Joint Appropriations Subcommittee on Health and Human Services met Tuesday May 5, 2009 at 8:30 am in Room 643 of the Legislative Office Building. Representative Verla Insko presided. Rep. Insko called the meeting to order and introduced the Sergeant at Arms Staff and pages who would be assisting with the meeting.

The following members were present; Representative's, Verla Insko, Beverly Earle, Bob England, Jeff Barnhart, Jean Farmer-Butterfield, William Brisson, Pearl Burris-Floyd, Nelson Dollar, Wil Neumann, and Randy Stewart. Staff members from the Fiscal Research Division present were Melanie Bush, Lee Dixon, Lisa Hollowell, and Bryce Ball. A hard copy of the roll denoting members present is attached to the minutes along with a copy of the visitor's registration and agenda sheet.

The primary reason for this meeting was for committee members to discuss issues that the members want the chairs to take into consideration.

Rep. Insko recognized Rep. Farmer-Butterfield. She was concerned about the budget shortfall for the School for the Deaf and the Governor Morehead School for the Blind.

- Would like to know the current capacity of the schools?
- How much it will cost to operate the schools?
- How much it cost if the two Schools for the Deaf were to combine into one school?

Rep. Insko recognized Sec. Lanier Cansler and staff for follow-up. Sec. Cansler replied that the current average enrollment is about 100 students per school. Bryce Ball added it was 205 between both Schools for the Deaf and 62 students for the Governor Morehead School for the Blind. The cost to keep the school independent is approximately ten million dollars for each school. The Governor Morehead School for the Blind is approximately eight million. Sec. Cansler said if the three schools were combined it would be about a fifteen to seventeen million dollars in savings.

Rep. Insko recognized Rep. England. He made comments regarding long term care and rest homes, reimbursement and reimbursement rates. He asked Sec. Cansler to update what increases have been if any in last several years. Sec. Cansler was recognized; over the past several years the Department has done a study for Adult Care Home Assisted Living Facilities to look at what the budget needs to be to meet all the standards. A report was submitted to the General Assembly. There was a substantial under funding of that industry. The Department is looking at other ways to improve. The use of PCS services in the facilities, the Federal Government CMS said that can not be used anymore. The Department is looking at other alternative that they might be able to maintain the twenty five thousand residences of the facilities and keep the industry solvent.

Rep. Insko recognized Rep. Brisson. Rep. Brisson asked Sec. Cansler to comment on Home Health Care and Personal Care System. Sec. Cansler said the Carolina Center for Medical Excellent does a after the fact of review of records and chart to make sure DHHS complies with federal rules. If DHHS falls outside of the rules they do not receive money.

Rep. Insko recognized Rep. Brisson. Rep. Brisson asked about Smart Start and More at Four programs. Looking at the budget the services the state has provided in the past how will this affect the children? Sec. Cansler said that looking at the Senate budget it transfers the program to the Department and makes it additional to the subsidy program. It will have an impact on changing who gets access to the program. The Department has not taken a position if More at Four should merge with Smart Start, be left alone or put it in the Department. Lisa Hollowell followed up regarding the screening process for children.

Rep. Insko recognized Rep. Barnhart. Rep. Barnhart had questions regarding the Senate version Special Provisions page 11 line 17. Rep. Barnhart had a question regarding utilization management for the LME. Rep. Barnhart asked Sec. Cansler about Value Options. Rep. Barnhart has concerns about Value Options moving to the LME's. Rep. Insko followed up saying that this was brought up in the Mental Health Reform and that committee is working on changes to the language. Rep. Barnhart followed up with a question of page 17 line 24 in the Senate version Special Provisions about enrollment and re-enrollment for eligible children on Medicaid in North Carolina Health Choice. He is asking staff to work with him on language.

Rep. Insko recognized Rep. Neumann. Rep. Neumann had a question regarding Community Health Center, language from the Senate version 10.37 if the Center receives any money from the Federal Government they would not be eligible for funding. If we can take that language out it would keep the community centers whole and not be cut off from state funding. Rep. Neumann's second question was about More at Four and Smart Start. He wants the committee to look at the programs and have an oversight committee to coordinate the programs. Sec. Cansler explained about the inner agency Council. The council is co-chaired by Sec. Cansler, Superintendent of Public Instruction, Secretary Hayes of Juvenile Justice, CEO of Education and someone from the Administration office of the Courts. The Council meets on a quarterly basis. Rep. Neumann asked Sec.

Cansler if he could get information on what the original charge to the Council was and what it is doing now.

Rep. Insko recognized Rep. Dollar. Rep. Dollar asked if there was a target figure yet in terms of the priorities. Rep. Insko followed up saying the committee should get the targets this week. Rep. Dollar had another concern that it has to be a policy decision if More at Four was going to come into the DHHS budget. Rep. Insko followed up saying that the final decision is made by the Full Chairs. The Full Chairs will wait to get the recommendations from the committee. Sec. Cansler said the Department would need help from the committee in assistance with provisions that will help the process a little quicker in getting potential saving quicker. Rep. Insko asked staff and Sec. Cansler to work together to draft language.

Rep. Insko recognized Rep. Burris-Floyd. Rep. Burris-Floyd asked about the NC Comprehensive Cancer program page G6 line 49. She stated that it was of tremendous value. She would like for it to continue.

Rep. Insko recognized Rep. Dollar. He made a comment that he would like to have the Whitaker School and Wright School to stay open.

Rep. Insko recognized John Tote, Executor Director of Mental Health Association of North Carolina and Marcia Herman-Gidding, President of Tick Borne Infections Council of North Carolina to answer questions from committee members.

Following these discussions, the meeting was adjourned 9:30 am.

Representative Verla Insko
Chair

Gina Insko
Committee Assistant

HOUSE APPROPRIATIONS SUBCOMMITTEE FOR HEALTH AND HUMAN SERVICES

AGENDA

May 5, 2009
8:30AM
Room 643, LOB

Rep. Beverly Earle
Rep. Verla Insko
Rep. Bob England
Rep. Jeffrey Barnhart
Rep. Jean Farmer-Butterfield
Rep. William Brisson
Rep. Justin Burr
Rep. Pearl Burris-Floyd
Rep. Nelson Dollar
Rep. Wil Neumann
Rep. Randy Stewart

Chairs

Representative Beverly Earle
Representative Verla Insko
Representative Bob England

Budget Priorities & Concerns

Committee Members

House Pages

Name of Committee APP Health & Human Serv **Date** 5/5/09

1. Name: Jeremy Strickland
   County: SAMPSON
   Sponsor: David Lewis
2. Name: Brittany Brisson
   County: Bladen
   Sponsor: William Brisson
3. Name: _____
   County: _____
   Sponsor: _____
4. Name: _____
   County: _____
   Sponsor: _____
5. Name: _____
   County: _____
   Sponsor: _____

Sgt-At-Arms

1. Name: Trey Raley
2. Name: Young Bae
3. Name: Martha H. Gadson
4. Name: _____

VISITOR REGISTRATION SHEET

HEALTH AND HUMAN SERVICES — May 5, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Jim Hardy	Food Bank
Lou Wilson	NCAHTCF
Fred Wilcox	Eastern Seals UCP
[illegible]	Gov's Office
Ashley Bell	American Cancer Society
Melvin Lee	OSBM
Wayne Williams	OSBM
Maureen Morrell	Autism Society of NC
Sam McLeod	CFSA - NC
Ed Tody	DCCM Justice
Andy Ellen	NCLMA

VISITOR REGISTRATION SHEET

HEALTH AND HUMAN SERVICES — May 5, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
K Rhodes	EPPD
Ashley Hamff	NAMI NC
Erin McLaughlin	MHANC
Julia Leggett	The Arc of NC
TRACY GOLVARD	AHHC
Kristi Huff	NCHCFA
Barbara Carsten	BSCG
John Druette	DPI
Mary Bethel	AARP-NC
John Huffman	NC Psychiatric Assoc
Jan Tate	MHA
Eng Boggs	NCMS

VISITOR REGISTRATION SHEET

HEALTH AND HUMAN SERVICES — May 5, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Annaliese Dolph	DRNC
Lane Huggins	Tick Borne Infections Council of N.C.
Marcia E Herman-Giddens	TIC-NC
[illegible]	[illegible]
[illegible]	MWC
Pam Kilpatrick	OSBM
Jennifer Hathaway	OSBM
Rebecca Troxler	NCACC
Joyce C Mahon	MHANC
DAVID BARNES	Poyner Spruill
[illegible]	Sedgefield

VISITOR REGISTRATION SHEET

HEALTH AND HUMAN SERVICES — May 5, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Gill Hinton	
Pam Johnson	Beyond Academics - Greensboro
Ron Kelly	Nelson Mullins
Tommy Suter	Novartis
Martha McConnell	Carolinas Healthcare System
Phil Poole	General Assembly - Research
[illegible]	Covenant w/ NC's Children
John McMillan	M Fds
Ken Melton	K.M.A.
Lori Ann Harris	NAHA
Patricia Yancey	APPCNC

VISITOR REGISTRATION SHEET

HEALTH AND HUMAN SERVICES — May 5, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Jon Carr	Jordan Price Law Firm
Bob Hedrick	NCPC
Angie Harris	Williams Mullen
Fred Baron	Baron & Asso.
Peter Hans	SED Wilkes
Dan Wobby	Lilly
Lu-Ann Reynolds	NCPA

ATTENDANCE

APPROPRIATIONS SUBCOMMITTEE ON HEALTH AND HUMAN SERVICES

(Name of Committee)

DATES	3-11-09	3-19-09	4-7-09	4-16-09	4-28-09	5-5-09	5-19-09	5-21-09	6-24-09						
REP. VERLA INSKO - CHAIR	X	X	X	X	X	X	X	X	X						
REP. BEVERLY EARLE - CHAIR	X		X	X	X	X	X	X							
REP. BOB ENGLAND - CHAIR	X		X	X	X	X	X	X	X						
REP. JEFF BARNHART VICE-CHAIR	X			X		X	X	X							
REP. JEAN FARMER-BUTTERFIELD VICE-CHAIR	X	X	X	X	X	X	X	X							
REP. WILLIAM BRISSON	X	X	X	X	X	X		X							
REP. JUSTIN BURR		X	X		X		X								
REP. PEARL BURRIS-FLOYD		X	X	X	X	X	X		X						
REP. NELSON DOLLAR		X			X	X	X	X							
REP. WIL NEUMANN	X	X		X	X	X	X	X	X						
REP. RANDY STEWART		X	X		X	X	X	X	X						
Sen. William Purcell	X	X													
Sen. Doug Berger	X	X													
Sen. Martin Nesbitt	X	X													
Sen. Charles Dannelly															
Sen. Blake Harris	X	X													
Sen. Debbie Clary	X	X													
Sen. James Forrester		X													
STAFF															
Melanie Bush	X	X		X	X	X	X	X							
Lee Dixon	X	X		X	X	X	X	X							
Lisa Hollowell	X	X		X	X	X	X	X							
Bruce Ball	X	X		X	X	X	X	X							

MINUTES
Appropriations Subcommittee on
Health and Human Services

May 6, 2009

The Appropriations Subcommittee on Health and Human Services met around Representative Bob England's desk in the House Chamber immediately after session on May 6, 2009. Representative Bob England presided and called the meeting to order.

The following members were present; Chairs: Representatives Earle and Insko, Vice Chairs: Representatives Barnhart and Farmer-Butterfield. Members:. Representatives Brisson, Burr, Burris-Floyd, Dollar, Neumann, and Stewart.

Representative Earle was recognized to explain HB 672 – A BILL TO BE ENTITLED AN ACT RELATING TO LOCAL MANAGEMENT ENTITIES USE OF STATE FUNDS FOR MENTAL HEALTH, DEVELOPMENTAL DISABILITY, AND SUBSTANCE ABUSE SERVICES. Representative Earle stated that the bill originated from the Mental Health Reform Committee and then gave a brief explanation of the bill.

Representative Neumann was then recognized who moved that HB 672 receive a favorable report and be sent to the House floor. The motion passed. Chairman England then thanked all members for their attendance and adjourned the meeting. A copy of the committee report is attached to these minutes.

Representative Bob England, MD
Chairman

Lisa W. Brown
Committee Assistant

HOUSE BILL 672
Committee Substitute Favorable 4/16/09

Short Title: Accountability for State Funding/MHDDSA. (Public)

Sponsors:

Referred to:

March 19, 2009

A BILL TO BE ENTITLED

AN ACT RELATING TO LOCAL MANAGEMENT ENTITIES USE OF STATE FUNDS FOR MENTAL HEALTH, DEVELOPMENTAL DISABILITY, AND SUBSTANCE ABUSE SERVICES.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 122C-117(a) is amended by adding the following new subdivisions to read:

"**§ 122C-117. Powers and duties of the area authority.**

(a) The area authority shall do all of the following:

...

(15) An LME that utilizes single stream funding shall, on a biannual basis, report on the allocation of service dollars and allow for public comment at a regularly scheduled LME board of directors meeting.

(16) Before an LME proposes to reduce State funding to HUD group homes and HUD apartments below the original appropriation of State funds, the LME must:

a. Receive approval of the reduction in funding from the Department, and

b. Hold a public hearing at an open LME board meeting to receive comment on the reduction in funding."

SECTION 2. The Department of Health and Human Services shall analyze the effectiveness of single stream funding in the expenditure of State funds and review the allocation of service dollars to specific disabilities of LMEs that utilize single stream funding for a year or more and report its findings to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division by June 1, 2010.

SECTION 3. This act becomes effective July 1, 2009.

2009 PERMANENT SUBCOMMITTEE REPORT
HOUSE OF REPRESENTATIVES

FOR RECOMMENDING BILLS TO STANDING COMMITTEE OR TO THE FLOOR OF THE HOUSE
The following report(s) from permanent sub committee(s) is/are presented:
By Representative(s) Earle, England, Insko (Chairs) for the Appropriations Subcommittee on Health and Human Services.

☒Committee Substitute for
HB 672 A BILL TO BE ENTITLED AN ACT RELATING TO LOCAL MANAGEMENT ENTITIES USE OF STATE FUNDS FOR MENTAL HEALTH, DEVELOPMENTAL DISABILITY, AND SUBSTANCE ABUSE SERVICES.

WITH APPROVAL OF STANDING COMMITTEE CHAIR(S) FOR REPORT TO BE MADE DIRECTLY TO THE FLOOR OF THE HOUSE:
Representative Michaux, Adams, Alexander, Crawford, Haire, Jeffus, Tolson, Yongue (Chairs) for the Standing Committee on Appropriations.

s/

☒With a favorable report.

(FOR JOURNAL USE ONLY)

_____ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on _____.

_____ Pursuant to Rule 36(b), the bill/resolution is placed on the Calendar of _____.

MINUTES

HEALTH AND HUMAN SERVICES
APPROPRIATIONS SUBCOMMITTEE

TUESDAY MAY 19, 2009
8:30 AM
ROOM 643 LEGISLATIVE OFFICE BUILDING

The Joint Appropriations Subcommittee on Health and Human Services met Tuesday May 19, 2009 at 8:30 am in Room 643 of the Legislative Office Building. Representative Verla Insko presided. Rep. Insko called the meeting to order and introduced the Sergeant at Arms Staff and pages who would be assisting with the meeting.

The following members were present; Representative's, Verla Insko, Beverly Earle, Bob England, Jeff Barnhart, Jean Farmer-Butterfield, Justin Burr, Pearl Burris-Floyd, Nelson Dollar, Wil Neumann, and Randy Stewart. Staff members from the Fiscal Research Division present were Melanie Bush, Lee Dixon, Lisa Hollowell, and Bryce Ball. A hard copy of the roll denoting members present is attached to the minutes along with a copy of the visitor's registration and agenda sheet.

Rep. Insko recognized Lisa Hollowell to present to the committee Guidance and Rules, 2008-2009 Certified Budget, and Calendar. Rep. Insko then recognized Committee members for questions of Ms.Hollowell. Following these discussions, the meeting was adjourned at 9:00 a.m. A copy of all presentations is attached to these minutes.

Representative Verla Insko
Chair

Gina Insko
Committee Assistant

HOUSE APPROPRIATIONS SUBCOMMITTEE FOR HEALTH AND HUMAN SERVICES

AGENDA

May 19, 2009
8:30AM
Room 643, LOB

Rep. Beverly Earle
Rep. Verla Insko
Rep. Bob England
Rep. Jeffrey Barnhart
Rep. Jean Farmer-Butterfield
Rep. William Brisson
Rep. Justin Burr
Rep. Pearl Burris-Floyd
Rep. Nelson Dollar
Rep. Wil Neumann
Rep. Randy Stewart

Chairs

Representative Beverly Earle
Representative Verla Insko
Representative Bob England

Calendar

Spending Target

Subcommittee Rules & Guidance — Lisa Hollowell, Staff

House Appropriations Schedule as of 5/12/09

May

Sun	*Mon*	*Tue*	*Wed*	*Thu*	*Fri*	*Sat*
					1	**2**
3	**4**	**5**	**6**	**7**	**8**	**9**
10 **MOTHER'S DAY**	**11**	**12** **House Subcommittees** (8:30 only) **- Receive Targets**	**13** **House Subcommittees** (8:30 only)	**14** **House Subcommittees** (8:30 only) **- CROSSOVER**	**15** **House Subcommittees**	**16**
17	**18** **House Subcommittees**	**19** **House Subcommittees**	**20** **House Subcommittees**	**21** **House Subcommittees**	**22** **House Subcommittees**	**23**
24	**25** **MEMORIAL DAY**	**26** **House Subcommittees**	**27** **Subcommittees Complete Work**	**28** **House Subcommittees** -Report to Full Chairs	**29**	**30**
31						

2009

House Appropriations Schedule as of 5/12/09

June

Sun	*Mon*	*Tue*	*Wed*	*Thu*	*Fri*	*Sat*
	1 **House Subcommittees** Report to Full Chairs starting @ 2	**2** **House Subcommittees** -Report to Full Chairs	**3** **House Subcommittees** -Report to Full Chairs	**4** **House Subcommittees Vote**	**5** **House Subcommittees Vote**	**6**
7	**8**	**9**	**10**	**11**	**12**	**13**
14	**15** **House Full Appropriations**	**16**	**17**	**18** **House Passes Bill**	**19** **CONFEREES APPOINTED**	**20**
21 **FATHER'S DAY**	**22**	**23**	**24**	**25**	**26**	**27**
28	**29**	**30** **CONFERENCE REPORT ADOPTED**				

2009

2009 LEGISLATIVE SESSION
HOUSE APPROPRIATIONS SUBCOMMITTEE FOR HEALTH AND HUMAN SERVICES
GUIDANCE AND RULES

May 19, 2009

Target - FY 2009-10 **$3.555 billion** (net of federal recovery funds)
FY 2010-11 **$3.917 billion** (net of federal recovery funds)

1. **Focus Funding on the Core Mission of Each Agency**

2. **Require Agencies and Nonprofits to Justify the Budget**
   - Build on the General Assembly's past and current justification and continuation review initiatives: require state agencies and nonprofits to justify continuing selected expenditures.
   - Use this approach for:
     - Individual programs, including non-essential, ineffective, obsolete, redundant or new (created in the past four years) programs and services.
     - Specific line items within programs.

3. **Fund Mandatory Program Growth**
   - Fund adjustments for growth in mandatory programs and services (including public schools, Medicaid and prisons) within subcommittee targets.

4. **Subcommittee Money Reports Shall Not Include:**
   - Expansion funding.
   - Negative reserves or "management flexibility" reductions.

5. **Special Provisions Shall Not:**
   - Authorize the expenditure of reversions.
   - Include "shall not revert" or "carry forward" language.
   - Amend substantive policy or law and must be directly related to the budget. (House Rule 36.4).

6. **Subcommittee Money Reports Must:**
   - Identify all budget adjustments (reductions or mandatory increases) as recurring or non-recurring.
   - Identify all position changes for all funds (eliminations, fund shifts, newly-established).

7. **Utilize Reduction Strategies That:**
   - Eliminate ineffective or obsolete programs
   - Eliminate duplication of effort (Span of Control);
   - Eliminate administrative inefficiencies;
   - Streamline and consolidate departments, programs, offices, and services;

i. Consider consolidating pre-k and child development programs (Division of Child Development, Smart Start, and More At Four)

- Reduce non-essential government services
- Reduce non-profit funding
- Minimize the loss of non-State revenues
- Slow growth of programs
    i. Medicaid and Health Choice

8. Use Cash Balances of Non-General Funds, and Close the Funds When Possible

- Identify Special Funds that divert revenue from the General Fund; permanently close the funds and transfer balances and responsibilities to the General Fund, if feasible; if not feasible, then permanently close the funds and transfer balances and responsibilities to other funds as appropriate.

9. Eliminate Vacant Positions

- Consider eliminating vacant positions, especially those vacant for 6 months or more as of January 1, 2009.

10. Increase or Implement Fees

- Examine fees to determine if any increases are appropriate and could be used to offset operating appropriations. Subcommittees considering fee increases must first consult with House Full Chairs.

11. Examine Rate Changes

- Subcommittees shall not fund inflationary or rate increases and should reduce all rates by at least 1%

12. Use Federal American Recovery and Reinvestment Act (ARRA) funds

- Maximize any relevant federal Recovery funds
- Use the funds for supplanting and for non-recurring needs to the extent possible and allowed by federal regulations.

13. Propose a Continuation Review

- Identify at least one Continuation Review of **significant** size.

14. Consult the House Full Chairs

- Refer **all** salary-related, debt service, and other statewide issues to the House Full Chairs.
- Consult with House Full Chairs when considering fee increases.
- Consult with the House Full Chairs and the appropriate subcommittee chairs prior to proposing budget adjustments, program transfers or policy changes that impact another subcommittee area.

15. Consult Other Subcommittees as Necessary

- Consult with the chairs of the appropriate subcommittee and the House Full Chairs prior to proposing budget adjustments, program transfers or policy changes that impact another subcommittee area.

Department of Health and Human Services
2008-09 Certified Budget

Divisions:	**General Fund Appropriations**	**% of Funds**
Medical Assistance	$3,179,171,463	65%
Mental Health/DD/SAS	$742,987,556	15%
Child Development	$304,881,785	6%
Social Services	$222,371,820	5%
Public Health	$188,968,247	4%
Child Health / Health Choice	$69,448,019	1.4%
Central Administration	$52,782,212	1.1%
Vocational Rehabilitation	$43,518,365	0.9%
Education Services	$39,554,397	0.8%
Aging	$38,245,179	0.8%
Health Service Regulation	$21,478,256	0.4%
Services for the Blind and Deaf and Hard of Hearing	$11,509,643	0.2%
Total Department of Health & Human Services	**$4,914,916,942**	**100%**

House Pages

Name of Committee: App Health & Human Ser. Date: 5/19/09

1. Name: Madison Marston
   County: New Hanover
   Sponsor: Rep. Justice
2. Name: Shelby Heller
   County: Harnett
   Sponsor: Rep. Lewis
3. Name: Auburn Lance
   County: Randolph
   Sponsor: Rep. Hurley
4. Name: Liz Stevens
   County: Mecklenburg
   Sponsor: Rep. Killion
5. Name:
   County:
   Sponsor:

Sgt-At-Arms

1. Name: Trey Raley
2. Name: Tom Wilder
3. Name: John Brandon
   Martha Gadison

VISITOR REGISTRATION SHEET

HEALTH AND HUMAN SERVICES — May 19, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Anne Dorn	ADC NC Westgate Dr. Durham
Annaliese Ralph	DRNC
Julia Leggett	The Arc of NC
Scott Badesl	Arts-a Society of NC
Bill Rust	AFP
Maureen Manell	Autism Society of NC
David Barnes	Payne Spruill
Joe Lanier	SCA Nicker
Mary Bethune	AARP-NC
Jessie Douglas	Coalition / NCAD
Stephanie Daniel	Smart Start
Roz Savitt	NC Child Care Coalition

VISITOR REGISTRATION SHEET

HEALTH AND HUMAN SERVICES — May 19, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Karen McLeod	CFSA-NC
Jack Wadell	Eastern Seals UCP
Thad Cloofelter	Southeastern ISA Federation
Bob Leland	NCPC
Joni Allen	BEGINNINGS
Lou Wilson	NCALTCA
Barbara Canales	BBCH
John Bowdish	AstraZeneca
Fred Bone	Bone & Asso.
Jim Hardy	NC Food Bankers
Jim Tate	NHA-NC

VISITOR REGISTRATION SHEET

HEALTH AND HUMAN SERVICES — May 19, 2009

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VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
[signature]	[signature]
Yvonne Copeland	NCCCP
Meghan Jones	DRNC
Jenna Niedringhaus	DRNC
[signature]	[signature]
[signature]	NCHCC
ANN LORE	DUKE
[signature]	NMRS
[signature]	NCEMA

VISITOR REGISTRATION SHEET

HEALTH AND HUMAN SERVICES — May 19, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Donald Brames	CMS
Patricia A. Jones	APPCWC
John Curlin	wkg

VISITOR REGISTRATION SHEET

HEALTH AND HUMAN SERVICES — May 19, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Pam Kilpatrick	OSBM
Brook Winslow	NCSSM
Melissa Reed	PP
[illegible]	M+M
Dave Bray	MWC
Harry Kaplan	MWC
Kari Barsness	OSBM
[illegible]	MWC
[illegible]	American Cancer Society
Abby Emanuel	NHSS- MC
Jennifer Mahan	MHANC

VISITOR REGISTRATION SHEET

HEALTH AND HUMAN SERVICES — May 19, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Henry Hinton	N.C.B.A.
Tracy Collard	AHEC
Vincent Stephens	CMS
Louise Fisher	Volunteer for Mentally Ill
Jennifer Sasser	Williams Mullen
Mandy Ableidinger	Action for Children NC
Rob Thompson	Covenant w/ NC's Children
John Dunn	Governor's Office
Sally Cameron	NC Psychological Assoc
Wayne Williams	State Budget Office
J Hoffman	OSBM

MINUTES
Appropriations Subcommittee on
Health and Human Services

May 20, 2009

The Appropriations Subcommittee on Health and Human Services met in Room 643 on May 20, 2009. Representative Bob England presided and called the meeting to order at 8:30 a.m. Chairman England then welcomed all members and visitors and introduced the Pages and Sergeant at Arms who would be assisting with the meeting.

The following members were present; Chairs: Representatives Earle and Insko, and Vice Chair Representative Farmer-Butterfield. Members: Representatives Brisson, Burris-Floyd, Dollar, Neumann, and Stewart.

Representative England then recognized Melanie Bush, General Assembly Staff, to present reduction options for the Division of Medical Assistance, Division on Aging, and Division of Health Service Regulation. Following the presentation, Representative England recognized Committee members for questions of Ms. Bush.

Representative England then recognized Lisa Hollowell, General Assembly Staff, to present reduction options for the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services and the Division of Child Development. Following the presentation, Representative England recognized Committee members for questions of Ms. Hollowell.

After these discussions, Chairman England again thanked the members and presenters for their attendance and adjourned the meeting at 9:45 a.m. Copies of both presentations are attached to these minutes.

Representative Bob England, MD
Chairman

Lisa W. Brown
Committee Assistant

ATTENDANCE

Appropriations Subcommittee on Health and Human Services

DATES	5-20-2009													
Rep. Beverly Earle, Chair	X													
Rep. Bob England, Chair	X													
Rep. Verla Insko, Chair	X													
Rep. Jeff Barnhart, Vice Chair														
Rep. Farmer-Butterfield, Vice Chair	X													
Rep. William Brisson	X													
Rep. Justin Burr														
Rep. Pearl Burris-Floyd	X													
Rep. Nelson Dollar	X													
Rep. Wil Neumann	X													
Rep. Randy Stewart	X													
Sen. William Purcell, Chair														
Sen. Doug Berger, Chair														
Sen. Charlie Dannelly														
Sen. Martin Nesbitt														
Sen. Harris Blake														
Sen. Debbie Clary														
Sen. James Forrester														
Staff														
Lisa Hollowell, Team Leader	X													
Melanie Bush	X													
Lee Dixon	X													
Bryce Ball	X													

HOUSE APPROPRIATIONS SUBCOMMITTEE FOR HEALTH AND HUMAN SERVICES

AGENDA

May 20, 2009
8:30AM
Room 643, LOB

Rep. Beverly Earle
Rep. Verla Insko
Rep. Bob England
Rep. Jeffrey Barnhart
Rep. Jean Farmer-Butterfield
Rep. William Brisson
Rep. Justin Burr
Rep. Pearl Burris-Floyd
Rep. Nelson Dollar
Rep. Wil Neumann
Rep. Randy Stewart

Chairs

Representative Beverly Earle
Representative Verla Insko
Representative Bob England

Reduction Options

Division of Medical Assistance
Division on Aging
Division of Health Service Regulation — Melanie Bush, Staff

Division of Mental Health, Developmental Disabilities, and Substance Abuse Services
Division of Child Development — Lisa Hollowell, Staff

VISITOR REGISTRATION SHEET

APP. health & human services — may 20, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Emily Wilbourne	The Policy Group
Matt Howell	The Policy Group
Joni Allred	BEGINNINGS
L C Pergram	DLC
Lou B Wilson	NCALTC
Fred Box	Box & Asso.
Elizabeth Dalton	NCRCMA
ANNA LOLE	OVLE
John Bowdish	AstraZeneca
Barbara Conder	Assoc
Kristi Hupp	NCHCFA

VISITOR REGISTRATION SHEET

APP. health & human services — may 20, 2009

Name of Committee — **Date**

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NAME	FIRM OR AGENCY AND ADDRESS
Chip Bryant	NCMS
Louie Patalano	Cape Fear Valley Health System
Dana Simpson	Smith Anderson
Joe Lanier	SCD Wicker
Andy Ellis	NCHMA
[illegible]	MWC
Dick Carlton	[illegible]
[illegible]	[illegible]
Mari [illegible]	NHMA
Ashley H Bell	American Cancer Society
Bill Rister	[illegible]
Mike Jones	

VISITOR REGISTRATION SHEET

APP. health & human services — may 20, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Dave Senat	Coastal Urban Transit
Jack Walden	Eastern Sandhills UCP
Janet Schaufach	Pediatric Associates
Jim Cole	NCHA
Roz Sawyer	NC Child Care Coalition
Stephanie Taylor	Smart Start
David Dreyer JR	DD Council
Lisa Hamill	NAMI Orange County
Angie Douglas	NC Assoc. of the Deaf
Ken Mitchell	CFSA-NC
Ellen Pierce	RANE Pier Connections
A Stefan	RANE east

VISITOR REGISTRATION SHEET

APP health & human services | may 20, 2009

Name of Committee | **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Keir Anderson	A Small Miracle Inc. 4904 Waters Edge Dr. Ste 200 Raleigh NC 27606
Sara Keen	A Small Miracle, Inc (see above)
Jenna Kalk	A Small Miracle, Inc (see above)
Beth Gaul	A Small Miracle, Inc. (see above)
DAVID BARNES	Payner Spruill
Vicky Bailey	RHA Howell Care Centers, Inc. 2738 Howell Day Care Rd. LaGrange, NC 28551
Stephen Gold	RHA/Howell Care Centers (see above)
Kelly Calegar	First In Families of NC 524 S. Duke ST Durham 27701
Betsy MacMichael	First In Families of NC "
Annaliese Bolon	NRNC
Donna Donegan	NC Providers Council

VISITOR REGISTRATION SHEET

APP. Health & Human Services May 20, 2009

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Betsy MacMurdo + Jamie Desmond	→ First In Families of NC - 5245 Duke St Durham, NC. 27701 → Consumer
Scott Bedesh	Autism Society of NC, 505 Oberlin, Suite 150, Raleigh, NC 27605
Maureen Mansell	Autism Society of NC Ral NC 27605
Lisa Townsend	Autism Society of NC 505 Oberlin Rd, Raleigh NC
Jim Panton	RHA - Howell Care Centers
Donna Panton	RHA - Howell Care Centers 3738 Howell Day Care Rd. LaGrange, NC 28551
Jackie Smith	RHA Howell 3738 Howell Day Care Road La Grange NC. 28551
Valerie Stephens	RHA Howell / WK
Danyell Thomas	RHA Howell's Walnut Creek
Elizabeth McNeil	RHA Howell Care Center / Walnut Creek 5709 US 70 East Goldsboro, NC 27534
Wes Stewart	Coastal Horizons Center, TASC 2805A Trent Rd. New Bern, N.C. 28562

VISITOR REGISTRATION SHEET

APP. health & human services — May 20, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Ann Summerlin	CHA Howell.
Mary Powell	NC Substance Abuse Federation
Joel Maynard	ODA & Assoc.
Tracy Kimbrell	Parker Poe
Jamel Jones	NCHA
[signature]	[signature]
Wendy Kelly	SZP Wicker
Debra Mann	Debra R. Mann

VISITOR REGISTRATION SHEET

APP. health & human services — may 20, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
C Hawkins	NCCPA
Tom Vaughan	CFTF
Mark Eggen	HWTF
TY DEXTER	TROSA
Mary Bo[illegible]	AARP - NC
BRAD ALLEN	NC SENIOR CARES, INC
John Dunn	Governor's office
Wayne Mellbum	State Budget Office
J Hoffmann	OSBM
K Barnes	OSBM
Carolina Jaramillo	MWC

VISITOR REGISTRATION SHEET

APP. health & human services — May 20, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Kevin Leonard	WCSR
Louisa Warren	NC Justice Center
Vincent Stephens	CMS
Even Silvi, M.D.	Brody School of medicine, ECU
P.G. Shelton, MD	Brody School of Medicin, ECU
Whitney Dennison, MD	Brody SOM; ECU Child and Adolescent Psychiatry
Pat Kinchelo	First in Families of North Carolina
Jennifer Sasser	Williams Mullen
Donald Kramer	CMS
Dharmi Tailor	MS Society
Susan Fewell	Brain Injury Assoc of NC

VISITOR REGISTRATION SHEET

APP. Health & Human Services — 3/20/09

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Linda Guzman	The Arc of NC 343 E Six Forks Ste 320 Raleigh NC 27609
Trish Hussey	Freedom House Recovery Ctr, 104 New Stirrup Rd Chapel Hill
Ron Huber	Sandhills CFAC
KYLE SCHNEIDER	
Ellis Fields	Mental Health Association Charlotte, NC 28211
Patrick Crosby	MHA
Kathryn Fuller-Woodson	Mental Health Association of Central Carolinas Charlotte NC 28211

VISITOR REGISTRATION SHEET

APP. health & human services — May 20, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Craig Sarr	NCCCP
TERESA CARTER	NCC
Brenda Montorati	ECAC
Chris McLamb	Raleigh
[illegible]	MFOS
Doug Stallings	RHA Howell Care
[illegible]	RHA Howell Care
Tonya Alphin	RHA Howell Care Centers
Donna Wooley Missebahpo	RHA Howell Care Centers
Candy Smith	RHA Howell's Center
Veronica Brown	RHA Howell's Center / Walnut Creek 5709 US Hwy. 70 E Goldsboro NC 27534

VISITOR REGISTRATION SHEET

APP. health & human services — May 20, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
[illegible]	[illegible]
Dr. David Wiesner	NC Psychological Assoc.
Sally Cameron	NC Psychological Assoc.
Laurie G Fisher	Volunteer Advocate for M.T.
Zach McClelland	Civitas
Dr. Richard D'Alli	Duke University Medical Center
Dr. Kaye McGinty	Brody School of Medicine ECU
Dr. Nadyah John	Brody School of Medicine ECU
Dr DAVID BRANYON	New River Behavioral Healthcare – Child Psychiatry
Alexandra Fetsaff	AHHC
TRACY COLVARD	AHHC

Budget Reduction Options

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

Division of Child Development

May 20, 2009

FISCAL RESEARCH DIVISION
A Staff Agency of the North Carolina General Assembly

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

- Consolidate LME System's Management
  - Reduce the number of LME's
  - Reduce administrative funds by $20M
  - Funding drives the consolidation
- Make Direct Payments to Providers
  - Reduce $7.1 million in administrative funds to LME's
- Eliminate Most of the Fund Balances at LME's
  - Fund Balances total 32% of 2009 total budgets for 15 LME's
  - Funds are reserved for many uses
  - Total of $229M in total fund balances and total budgets = $658.8M
  - **Reduce** service funds to LME's by total amount of fund balances and **require** LME's to spend their fund balances on services (make exceptions for those reserves already approved by DMH,DD,SAS)
  - Require the same reporting and accounting for the six single county LME's

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

- Reduce Funding for State-funded Services through LME's
  - $50M reduction (target non-core services and services provided to Medicaid and CAP clients)
  - LME's usually do not spend all of its funding; however, spending rates have increased
  - Approximately $450M in services in the budget

Division of Child Development

- Rate Reduction for payment of child care subsidies
  - Amount paid to child care providers
  - Rates are established based on market analysis
  - 1% rate cut = $795,516 (includes all rates)
- Child Care Subsidies
  - Reduce funds to current year's spending level
  - Reduction of $14.6M recurring
- Smart Start
  - $209 M in continuation budget
  - $193.6 M (authorized, to manage budget shortfall)
  - Reduce funding level to current year's spending amount (recurring)

FY 2009-10 Medicaid Options

Item/Program	Description	TOTAL DOLLARS	STATE DOLLARS
Optional Services			
Adult Optical	$2 copay/visit; Annual 8 visit limit (except children, CAP recipients, pregnant women); includes optical supplies	10,977,981	2,798,287
Adult Dental Services	$3 copay/visit	112,875,447	28,771,951
Adult Podiatry Services	$3 copay/visit; Annual 8 visit limit	4,156,854	1,059,582
Adult Chiropractic Services	$2 copay/visit; Annual 8 visit limit (except children, CAP recipients, pregnant women)	1,483,672	378,188
Adult Private Duty Nursing		38,183,337	9,732,933
Prescription Drugs	$3 copay/30 day supply	1,117,832,665	284,935,546
Clinics (mental health, health dept, free standing, rural)	Reimbursement to clinics for health services	263,719,403	67,222,076
CAP Disabled Adult (CAP-DA)	Provides a package of services to allow adults (age 18 and older) who qualify for nursing facility care to remain in their private residences.	277,825,522	70,817,726
CAP Mental Retardation/Developmental Disabilities (CAP-MR/DD)	Serves individuals who would otherwise require care in an intermediate care facility for people with the mental retardation/developmental disabilities (ICF/MR). It allows these individuals the opportunity to be served in the community instead of residing in an institutional or group home setting.	487,236,273	124,196,526
CAP Children (CAP-C)	Provides home and community based services to medically fragile children who, because of their medical needs are at risk for institutionalization in a nursing home.	40,047,840	10,208,194

FY 2009-10 Medicaid Options

Item/Program	Description	TOTAL DOLLARS	STATE DOLLARS
CAP Choice	For disabled adults and uses non-traditional case management services. Available only in Cabarrus, Duplin, Forsyth and Surry counties. Provides the same services provided in CAP/DA and four additional services: care advisor, financial management, personal assistant and services, equipment or supplies to increase independence in daily tasks.	1,305,912	332,877
Prosthetic and Orthotic coverage	Devices purchased for patients as deemed medically necessary.	7,775,579	1,981,995
Hospice Services	A coordinated program of services that provides medical, supportive and palliative care to terminally ill recipients and their families/caregivers.	60,572,130	15,439,836
Home Infusion Therapy	Covers self-administered infusion therapy and enteral supplies provided to a Medicaid recipient residing in a private residence or an adult care home.	8,313,065	2,119,000
HIV Case Management	Includes the following core components: intake, assessment, care planning, resource development, service coordination, monitoring, reassessment and discharge.	5,940,110	1,514,134
High Risk Intervention	Residential treatment/group homes (level I, II, III, IV) that provides a structured, therapeutic and supervised environment to improve the level of functioning for recipients.	179,939,891	45,866,678
Intermediate Care Facilities for Mental Retardation (ICFMRs).	State-owned: FY2007-08 served 1493 recipients. An institution or part thereof that functions primarily for the diagnosis, treatment or rehabilitation of the mentally retarded or persons with a related condition and provides, in a protected residential setting, ongoing evaluation, planning, 24-hour supervision, coordination, and integration of health or rehabilitative services to help each individual function at his or her greatest ability.	227,554,753	58,003,707

FY 2009-10 Medicaid Options

Item/Program	Description	TOTAL DOLLARS	STATE DOLLARS
Intermediate Care Facilities for Mental Retardation (ICFMRs)	Community-based: FY2007-08 served 2458 recipients	222,215,875	56,642,827
Inpatient Mental Health Age 65+	Inpatient mental health for seniors	3,323,524	847,166
Personal Care Services	In-home personal care services for people who need assistance with 2 or more activities of daily living (ADLs)	526,763,701	134,272,068
Personal Care Services	Personal care services and enhanced personal care services provided in adult care homes	176,026,194	44,869,077
Practioner-Nonphysician Behavioral Health Services	Behavioral health, including Community Support and other enhanced services	849,770,480	216,606,495
Physical Therapy/Occupational	Rehabilitative services	67,000,000	17,078,300
County and ACH Transportation	Medical transportation to and from medically necessary doctor visits, services	44,165,926	11,257,895
Prescription Drugs			
Reduce Allowable Cost of Drugs to Average Wholesale Price (AWP) – 20%	Now AWP-10%	65,882,727	16,793,507
Change reimbursement from AWP to Wholesale Acquisition Cost (WAC)	Now AWP-10%	40,666,938	10,000,000
Reduce Prescription Drug Costs	Reduces drug costs by employing enhanced utilization maangement of the Prescription Advantage List (PAL), increased utilization of gneerics, and increased rebate collections on generics. If savings are not realized by these actions, HHS shall implement a preferred drug list. Governor's item, modified by Senate.	104,885,173	25,791,264
Reduce Dispensing Fee for All Drugs to	Currently $5.60/generics, $4/brand	58,195,627	14,834,065

FY 2009-10 Medicaid Options

Item/Program	Description	TOTAL DOLLARS	STATE DOLLARS
Increase co-pays for brand name prescription drugs to $4	Currently $3	5,564,261	1,418,330
Preferred Drug List, net of lost rebates			30,000,000
Provider Rates			
1/2%	Across the board reduction in provider/program rates	39,165,433	9,957,203
1%	Across the board reduction in provider/program rates	78,330,865	19,914,405
2%	Across the board reduction in provider/program rates	156,661,730	39,828,810
3%	Across the board reduction in provider/program rates	234,992,595	59,743,215
4%	Across the board reduction in provider/program rates	313,323,460	79,657,621
5%	Across the board reduction in provider/program rates	391,654,325	99,572,026
Institute Nursing Home cost ceiling at 100% median cost	Current limit set at 103.5% of median cost	24,400,163	6,000,000
Administrative Efficiences			
Labs/Xrays vendor, prior authorization		24,400,163	6,000,000
Mandate electronic claims filing		2,400,000	1,200,000
Mandate EFT payments		1,350,000	675,000
Send out Medicaid ID on quarterly basis instead of monthly		3,500,000	1,750,000
Consolidate case management services	Currently 5 or more different case management activities	10,166,734	2,500,000
CCNC increased savings		203,334,689	50,000,000

FY 2009-10 Medicaid Options

Item/Program	Description	TOTAL DOLLARS	STATE DOLLARS
$50 copay for nonemergency ER visits		5,179,569	1,273,656
Enhance Third Party Liability Recoveries and Cost Avoidance	Reduces medical assistance payments by increasing payment by third parties and increasing cost avoidance through better utilization of technology and other cost-containment activities. Governor's item modified by Senate.		20,000,000
Implement False Claims Act	Increases amount NC can retain from fraud and abuse recoveries by implementing provisions that meet federal False Claims Act standards. The 10% bonus is expected to generate about $2.4 million annually. Of the amount collected, $176,068 will be used to support 5 positions at the AG's office to implement the act. Net collections will be offset by a reduction to State appropriations. No savings generated until FY 2010-11.		2,229,757

FY 2009-10 Division of Aging and Adult Services Options

Item/Program	Description	Estimated Reduction R
Reduce Home and Community Care Block Grant	Reduction in grant for community-based services for seniors, including In-Home, Congregate and Home Delivered meals, etc. Cut taken in current fiscal year 2008-09 by Governor.	(2,594,744)
Reduce Home and Community Care Block Grant	Replace HCCBG funds with one-time ARRA funds in Senate budget	(2,768,783)
Eliminate Quality Improvement Program for Adult Care Homes	Provided technical assistance for quality improvement for adult care homes (includes 1 FTE) - in Gov's budget and taken by Senate	(190,204)
Eliminate Senior Center Outreach and Development Program	Taken by Senate	(100,000)
Other Operating (2xxx-5xxx)	Reduced travel, supplies, printing, etc.; activities will be limited to absolutely necessary functions critical to core mission. Taken in current FY 2008-09 by Governor and in Senate budget	(90,466)
Senior Games	Senior Games promotes and facilitates physical fitness and creative arts activities for adults age 55 and over. Senior Games sponsors local games that are available to seniors in all counties and culminate in the State Games.	(175,000)
Duke University Medical Center, Family Support Program	$30,000 in federal funds and the $50,000 state appropriation supports the core mission of the Duke Family Support Program. This funding provides access to the most comprehensive information for NC residents on Alzheimer's Disease and related dementia and family care issues by providing a technical assistance clearinghouse, training and consultation for NC Alzheimer's Chapters, aging and social services networks, and families and professionals caring for persons in all stages of dementia.	(50,000)
Total		(5,969,197)

FY 2009-10 Division of Health Service Regulation Options

Item/Program	Description	Estimated Reduction R
Charge fee for Initial Facility License	Initial facility fees represent increase in start up costs for larger facilities	(169,850)
Increase Licensure Fees	Increases annual licensure fees for Adult Care Homes, Nursing Facilities, Hospitals, Mental Health/DD facilities, Ambulatory Surgical Centers, etc.	(1,093,788)
Charge Annual Fee for Hospice Facilities	Currently not subject to annual licensure fees	(79,200)
Eliminate Two Vacant Positions in Medical Facilities Construction	Eliminates two vacant positions in Medical Facilities Construction Section, which review construction plans, make on-site inspections, and provide consultation to ensure compliance with federal and State standards. Reduction will reduce staff to 63 FTEs. Governor's item taken by Senate.	(164,640)
Eliminate Jails and Detention Program	Shifts responsibility to counties for ensuring compliance with North Carolina statutes and administrative rules through semiannual inspections of all county, municipal, and regional jails.	(369,000)
Other Operating (2xxx-5xxx)	Fund 1311 Rent/Lease-Bldg/Office- taken by Governor and in Senate budget	(466,688)
Total		(2,343,166)

LME Fund e Analysis
Balance Sl la per 6/30/2008 Single Audit
(includes S. ...B request approvals)

	LME	Fund Balance Detail		2009 Budget	Total Fund Balance %	Unrestricted %	Unrestricted 16%	Available at 16%
1	Alamance-Caswell-Rockingham	5,016,452.00	Fund Balance From Audit	21,547,566	23.28%	7.51%	N/A	
		(3,397,837.00)	Reserved by State Statute					
		1,618,615.00	Unreserved, undesignated					
2	Albemarle	0.00	Fund Balance From Audit	19,883,667	0.00%	0.00%	N/A	
		0.00	Reserved by State Statute					
		0.00	Unreserved, designated					
		0.00	Unreserved, undesignated					
3	Centerpoint	8,379,291.00	Fund Balance From Audit	39,399,421	21.27%	9.38%	N/A	
		(3,260,042.00)	Reserved by State Statute					
		(25,593.00)	Reserved for prepaid expenses					
		(1,398,118.00)	Unreserved, designated for subsequent year's expenditures					
		3,695,538.00	Unreserved, undesignated					
4	Crossroads	13,120,360.00	Fund Balance From Audit	31,930,858	41.09%	6.46%	N/A	
		(1,498,087.00)	Reserved by State Statute					
		(59,226.00)	Prepaid Expenses					
		(2,901,170.00)	Unreserved, designated for Retirees Health Insurance					
		(500,000.00)	Unreserved, designated for Psychiatry Supplements					
		(365,432.00)	Unreserved, designated for Crisis Services					
		(700,000.00)	Unreserved, designated for Support Care Activities & Program Dev.					
		(500,000.00)	Unreserved, designated for Housing Activities					
		(500,000.00)	Unreserved, designated for Housing IVC Dev					
		(4,033,398.00)	Unreserved, designated for Services in Event of Provider Failure					
		2,063,047.00	Unreserved, undesignated					
5	Eastpointe	13,333,516.00	Fund Balance From Audit	21,354,119	62.44%	14.22%	N/A	
		(3,089,335.00)	Reserved by State Statute					
		(357,123.00)	Reserved for MHTF					
		(6,850,000.00)	Unreserved, designated for subsequent year's expenditures					
		3,037,058.00	Unreserved, undesignated					
6	Beacon Center	31,912,379.00	Fund Balance From Audit	22,885,640	139.44%	11.30%	N/A	
		(1,360,542.00)	Reserved by State Statute					
		(10,778,000.00)	Reserved for retirees' health insurance					
		(51,450.00)	Reserved for inventories					
		(5,200,000.00)	Unreserved, designated for Cont Liability in event of provider failure					
		(2,900,000.00)	Unreserved, designated for future LME expenditures					
		(3,300,000.00)	Unreserved, contingency funds for service failure					
		(2,000,000.00)	Unreserved, designated for software conversion					
		(2,950,202.00)	Unreserved, designated for DD Services (IPRS)					
		(183,046.00)	Unreserved, designated for capital outlay					
		(602,555.00)	Unreserved, designated for career ladder					
		2,586,584.00	Unreserved, undesignated					
7	Five County	6,935,957.00	Fund Balance From Audit	21,076,129	32.91%	11.07%	N/A	
		(2,201,711.00)	Reserved by State Statute					
		(40,000.00)	Unreserved, designated for Medicaid Cost Settlements					
		(78,000.00)	Unreserved, designated for Capital Asset Purchases					
		(1,500,000.00)	Unreserved, designated for Consumer Services					
		(782,999.00)	Unreserved, designated for subsequent year's expenditures					
		2,333,247.00	Unreserved, undesignated					
8	ECBH	17,259,204.00	Fund Balance From Audit	41,575,365	41.51%	12.58%	N/A	
		(3,225,162.00)	Reserved by State Statute					

LME Fund e Analysis
Balance Sl ta per 6/30/2008 Single Audit
(includes Sr ros FB request approvals)

	LME	Fund Balance Detail		2009 Budget	Total Fund Balance %	Unrestricted %	Unrestricted 15%	Available at 15%
		(76,280.00)	Prepaids					
		(2,300,000.00)	Unreserved, designated for Consumer Services					
		(6,426,000.00)	Unreserved, designated for future retirees' health ins benefits					
		5,231,762.00	Unreserved, undesignated					
9	OPC	3,445,336.00	Fund Balance From Audit	22,969,883	15.00%	-4.96%	N/A	
		(4,452,508.00)	Reserved by State Statute					
		(110,973.00)	Prepaids					
		(21,997.00)	Security Deposits					
		(1,140,140.00)	Unreserved, undesignated (deficit)					
10	Onslow-Carteret	2,440,255.00	Fund Balance From Audit	13,461,268	18.13%	7.36%	N/A	
		(784,634.00)	Reserved by State Statute					
		(350,000.00)	Unreserved, designated for Consolidation of LME Locations					
		(314,270.00)	Unreserved, designated for possible LME settlements					
		991,351.00	Unreserved, undesignated					
11	Pathways	13,938,641.00	Fund Balance From Audit	41,814,540	33.33%	10.32%	N/A	
		(4,203,542.00)	Reserved by State Statute					
		(26,672.00)	Prepaid Expenses					
		(360,000.00)	Unreserved, designated for IT System Software					
		(207,000.00)	Unreserved, designated for capital repairs					
		(1,580,000.00)	Unreserved, designated for New Detox Facility					
		(3,246,117.00)	Unreserved, Board designated for service capacity from prior yrs.					
		4,315,310.00	Unreserved, undesignated					
12	Piedmont	41,465,822.00	Fund Balance From Audit	167,283,223	24.79%	3.42%	N/A	
		(10,495,907.00)	Reserved by State statute					
		(327,638.00)	Prepaid Expenses					
		(6,677,008.00)	Restricted for Medicaid Risk Reserve					
		(11,157,213.00)	Restricted for Community Reinvestment					
		(7,094,889.00)	Unreserved, Board designated for capital additions					
		5,713,167.00	Unreserved, undesignated					
13	Sandhills Center	15,755,778.00	Fund Balance From Audit	42,863,346	36.76%	3.39%	N/A	
		(2,728,744.00)	Reserved by State Statute					
		(74,847.00)	Prepaid Expenses					
		(1,000,000.00)	Unreserved, designated for Community Access Units					
		(1,500,000.00)	Unreserved, designated for Comm Inpt Psych Beds					
		(9,000,000.00)	Unreserved, designated for Crisis, Risk Pool, MIS, Service Funding					
		1,452,187.00	Unreserved, undesignated					
14	Southeastern Center	12,247,296.00	Fund Balance From Audit	26,424,003	46.35%	4.93%	N/A	
		(5,605,034.00)	Reserved by State Statute					
		(5,338,729.00)	Prepaid Expenses					
		1,303,533.00	Unreserved, undesignated					
15	Southeastern Regional	6,949,830.00	Fund Balance From Audit	22,792,046	30.49%	5.58%	N/A	
		(2,876,924.00)	Reserved by State Statute					
		(500,000.00)	Unreserved, designated for Psychiatric Services					
		(1,000,000.00)	Unreserved, designated for System Upgrades, Bldg. Enhancements					
		(1,300,000.00)	Unreserved, Designated by Area Board					
		1,272,906.00	Unreserved, undesignated					
16	Smoky Mountain Center	19,554,725.00	Fund Balance From Audit	46,460,619	42.09%	21.03%	15.00%	
		(3,709,433.00)	Reserved by State Statute					

LME Fund Analysis
Balance Sh a per 6/30/2008 Single Audit
(includes S B request approvals)

	LME	Fund Balance Detail		2009 Budget	Total Fund Balance %	Unrestricted %	Unrestricted 15%	Available at 15%
		(264,914.00)	Reserved for deferred charges					
		(5,810,782.00)	Unreserved, Designated by Area Board					
		9,769,596.00	**Unreserved, undesignated**				6,969,596	2,800,000
17	Western Highlands	17,695,912.00	Fund Balance From Audit	55,110,252	32.11%	11.06%	N/A	
		(4,505,939.00)	Reserved by State Statute					
		(152,820.00)	Reserved for prepaids					
		(1,000,000.00)	Unreserved, designated to stabilize LME provider network					
		(1,437,500.00)	Unreserved, designated for hosp pilot					
		(150,000.00)	Unreserved, designated for Program Development					
		(350,000.00)	Unreserved, designated for Workforce Development					
		(1,000,000.00)	Unreserved, designated for crisis for deficit reimbursement rates					
		(50,000.00)	Unreserved, designated for CIT implementation and expansion					
		(100,000.00)	Unreserved, designated for Mobile Crisis service expansion					
		(65,000.00)	Unreserved, designated for Startup of consumer business					
		(150,000.00)	Unreserved, designated for Psych. Support					
		(2,638,082.00)	Unreserved, designated for Operating Budget in SFY09					
		6,096,571.00	**Unreserved, undesignated**					
18	Mecklenburg	N/A						
19	Durham	N/A						
20	Guilford	N/A						
21	Cumberland	N/A						
22	Johnston	N/A						
23	Wake	N/A						
24	Catawba	N/A						
		51,480,472.00	**Total LME Unreserved, Undesignated**			**TOTAL 15% Availability**		2,800,000

Fund Balances

In the governmental fund financial statements, reservations or restrictions of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Restricted net assets are those reported because of a constraint placed on its use by the contractual agreement between the Authority and other Federal and/or State payors. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts the appropriation of fund balance to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

Reserved (Examples)
Reserved by State statute - portion of the fund balance, in addition to reserves for encumbrances and reserves for inventories, which is not available for appropriation under State law [G.S. 159-8 (a)]. This amount is usually comprised of accounts receivable and interfund receivables, which are not offset by deferred revenues.

Reserved for prepaid expenses - portion of fund balance not available for appropriation as a result of expenses' payments paid in advance to be charged to future operation periods.

Unreserved (Examples)
Designated for Subsequent Year's expenditures - portion of total fund balance available for appropriation, which has been designated by the Board for future expenditures.

Unreserved/Undesignated - The portion of total fund balance available for appropriation that is uncommitted at year-end.

MINUTES

HEALTH AND HUMAN SERVICES
APPROPRIATIONS SUBCOMMITTEE

THURSDAY MAY 21, 2009
8:30 AM
ROOM 643 LEGISLATIVE OFFICE BUILDING

The Joint Appropriations Subcommittee on Health and Human Services met Thursday May 21, 2009 at 8:30 am in Room 643 of the Legislative Office Building. Representative Verla Insko presided. Rep. Insko called the meeting to order and introduced the Sergeant at Arms Staff and pages who would be assisting with the meeting.

The following members were present; Representative's, Verla Insko, Beverly Earle, Bob England, Jeff Barnhart, Jean Farmer-Butterfield, William Brisson, Nelson Dollar, Wil Neumann, and Randy Stewart. Staff members from the Fiscal Research Division present were Melanie Bush, Lee Dixon, Lisa Hollowell, and Bryce Ball. A hard copy of the roll denoting members present is attached to the minutes along with a copy of the visitor's registration and agenda sheet.

Rep. Insko recognized Lee Dixon and Bryce Ball to present to the committee Health Choice, Public Health and Office of Rural Health. Rep. Insko recognized committee members for questions of Mr. Dixon and Mr. Ball.

Rep. Insko turned the meeting over to Rep. England. Rep. England recognized bill sponsor Rep. Insko to present a Proposed Committee Substitute (PCS) on House Bill 458, Recommendations of MH/DD/SA Oversight Committee. Rep. Barnhart moved for the PCS to be presented to the committee. Rep. England recognized committee members for questions of Rep. Insko. Leza Wainwright, Director of DHHS, was asked to follow-up on answers to the committee. Rep. England recognized Rep. Barnhart to present an amendment to the PCS. Rep. England recognized committee members for questions of Rep. Insko on the amendment. Rep. Barnhart was recognized for a motion to approve the amendment. After a debate on the amendment the amendment passed. Rep. England recognized Rep. Farmer-Butterfield to send forth the amendment. Due to the time limit Rep. Insko requested that the bill be displaced. Following these discussions, the meeting was adjourned at 9:54 a.m. A copy of all presentations is attached to these minutes.

Representative Verla Insko
Chair

Gina Insko
Committee Assistant

Rep. Beverly Earle
Rep. Verla Insko
Rep. Bob England
Rep. Jeffrey Barnhart
Rep. Jean Farmer-Butterfield
Rep. William Brisson
Rep. Justin Burr
Rep. Pearl Burris-Floyd
Rep. Nelson Dollar
Rep. Wil Neumann
Rep. Randy Stewart

HOUSE APPROPRIATIONS SUBCOMMITTEE FOR HEALTH AND HUMAN SERVICES

AGENDA

May 21, 2009
8:30AM
Room 643, LOB

Chairs

Representative Beverly Earle
Representative Verla Insko
Representative Bob England

Reduction Options

Health Choice Program Office of Rural Health Division of Public Health	Mr. Lee Dixon, Fiscal Research Division
Office of Central Management and Support Division of Social Services Division of Services for Blind; Services for the Deaf and Hard of Hearing Division of Vocational Rehabilitation Office of Education Services	Mr. Bryce Ball, Fiscal Research Division

Health Choice--SFY 2009-11--Potential Budget Actions

Reductions to Current Year Activities	FY 2008-09
	-

	FY 2009-10		FY 2010-11
Governor's Proposed Reductions of State Funds	(241,310)		(241,310)
Reduce Operating Funds			
Establish or Increase Co-Pay for Non-Emergency ED Visit			
Continue Senate Reductions	($950,000)		($950,000)
Increase Prescription Co-Pay			
Eliminate Proposed Positions			

Possible Additional Cuts

Eliminate Inflationary Increase	($7,076,746)		($7,076,746)
Eliminate Vision Benefit	($1,485,472)		($1,485,472)
Eliminate Audiology and Hearing Benefit	($106,494)		($106,494)
Equalize Co-Pay for Non-Emergency ED Visit w/Medicaid	($165,000)		($165,000)
Equalize Prescription Co-Pay for Families below 150% FPI w/ Medicaid	($150,000)		($150,000)
Freeze Enrollment as of June 30, 2009	($4,600,000)		($4,600,000)
House Reductions (Potential)	($13,583,712)		($13,583,712)
Total Reductions	($14,775,022)		($14,775,022)

Division of Public Health--SFY 2009--11--Potential Budget Actions

Reductions to Current Year Activities	FY 2008-09
$15,434,657 GF and $7,690,786 Receipts	($23,025,443)

	FY 2009-10		FY 2010-11
Governor's Proposed Reductions of State Funds	($9,082,567)		($9,082,567)
Reduce Operating Budgets			
Reduce ADAP Drug Funds			
Vital Records Fee Increase			
Reduce PH Incubator Program			
Reduce CFEHDI Program			
Fund Postions with Federal Receipts			
Reduce CDSA Contracts			
Replace State Funds with Federal Funds C&Y			
Eliminate or Reduce Contracts			
Senate Proposed Reductions	($3,084,798)		($3,084,798)
Reduce LHD Accreditation			
Eliminate Funding for Tick-borne Disease			
Eliminate POMC Services--Kidney Disease, Adult Cystic Fibrosis, Early Hearing Devices, Epilepsy			
Eliminate Health Education Contract			
Eliminate Best Practices Contract			
Eliminate or Reduce Tobacco Prevention Contracts			

Possible Additional Cuts

Redirect Maternal and Child Health Block Grant Funds from Expansion and Salary Increases to Other State GF Supported Programs	($391,642)		($391,642)
Replace State GF with Ryan White Federal Funds for Duke University HIV/STD Pediatric Services	($209,503)		($209,503)
Eliminate Health Carolinians Program	($1,071,096)		($1,071,096)
Eliminate the second dose of Varcella Vaccine (Chicken Pox)	($1,223,027)		($1,223,027)
Reduce Health Disparities Iniative	($150,000)		($150,000)
Reduce State GF for Immunizations; Replaced by 3rd Party Payer Participation	($4,000,000)		($4,000,000)
Eliminate Oral Health Program	($4,485,523)		($4,485,523)
Eliminate Six Non-Direct Service Contracts in the Chronic Disease Program	($473,755)		($473,755)
Eliminate Cancer Purchase of Medical Care Program	($2,531,934)		($2,531,934)
Reduce Four Contracts in Children & Youth Branch to the SFY 08-09 adjusted level	($1,144,159)		($1,144,159)
House Reductions (Potential)	($15,680,639)		($15,680,639)
Total Reductions	($27,848,004)		($27,848,004)

Office of Rural Health--SFY 2009-11--Potential Budget Actions

	FY 2008-09
Reductions to Current Year Activities	($1,104,909)

	FY 2009-10		FY 2010-11
Governor's Proposed Reductions of State Funds	($715,000)		($715,000)
Reduce Continuation Funding CHC Grants			
Reduce Psychiatric Loan Repayment Program			
Reduce Physician Loan Repayment Program			
Reduce Loan Repayment Program for State Hospitals			
Senate Proposed Reductions	-		-

Possible Additional Cuts

Increase Reduction in Continuation Funding for Community Health Center Grants	($140,000)		($140,000)
Increase Reduction in Psychiatric Loan Program	($70,000)		($70,000)
Increase Reduction in Physician Loan Program	($105,000)		($105,000)
Eliminate Loan Repayment Program for State Hospitals	($868,519)		($868,519)
House Reductions (Potential)	($1,183,519)		($1,183,519)
Total Reductions	($1,898,519)		($1,898,519)

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 458

AMENDMENT NO. _____
(to be filled in by
Principal Clerk)

H458-AMG-2 [v.1]

Comm. Sub. [YES]
Amends Title [NO]
H458-CSLN-37 [v.1]

Date _____ ,2009

Representative Barnhart

moves to amend the bill on page 4, line 29
by deleting "clients." and substituting "clients, provided the Department determines that a sufficient number of LME's are qualified to perform these function.".

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

H D

HOUSE BILL 458
Committee Substitute Favorable 5/12/09
PROPOSED COMMITTEE SUBSTITUTE H458-CSLN-37 [v.1]

5/21/2009 8:46:16 AM

Short Title: Recommendations of MH/DD/SA Oversight Comm. (Public)

Sponsors:

Referred to:

March 9, 2009

A BILL TO BE ENTITLED

AN ACT TO ENACT VARIOUS LAWS TO IMPROVE THE MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE SERVICES SYSTEM, 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. Merger or Consolidation of LMEs. –

(1) The Secretary of the Department of Health and Human Services shall not take any action prior to June 1, 2010, that would result in the merger or consolidation of local management entities (LMEs), or that would establish consortia or regional arrangements for the same purpose.

(2) Notwithstanding the provisions of subdivision (1) of this section, contiguous LMEs may implement a merger or consolidation if at least one of the following criteria is satisfied:

a. At least one of the LMEs does not meet the catchment area requirements of G.S. 122C-115 and the merger or consolidation is to overcome noncompliance with G.S. 122C-115; or

b. Each board of county commissioners within the multicounty area comprising each of the LMEs involved in the proposed merger or consolidation has approved the merger or consolidation.

(3) Contracts between LMEs for service authorization, utilization review, and utilization management functions do not constitute a merger or consolidation as addressed in this section.

SECTION 2. Medicaid Waivers. –

(1) The Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services may develop and apply to the Centers for Medicare and Medicaid Services (CMS) for additional 1915(b) and 1915(c) Medicaid waivers in order to increase the flexibility of LMEs with respect to management and coordination of mental health, developmental disabilities, and substance abuse services. If approved, the Department shall not implement any waiver except as authorized by an act of the General Assembly appropriating funds for this purpose. The

Department shall report on the status of any waiver developed or applied for pursuant to this subdivision to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, and the Fiscal Research Division not later than March 1, 2010.

(2) The Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services shall apply to the Centers for Medicare and Medicaid Services for a 1915(c) waiver to permit individuals who sustain traumatic brain injury after age 22 to access home- and community-based Medicaid services. If approved, the Department shall not implement the waiver except as authorized by an act of the General Assembly appropriating funds for this purpose. The Department shall report on the status of the waiver to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division not later than March 1, 2010.

(3) For the purposes of improving efficiency in the expenditure of available funds and effectively identifying and meeting the needs of CAP-MR/DD eligible individuals, on or before January 1, 2010, the Department of Health and Human Services, Division of Medical Assistance, in conjunction with the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall submit a Plan for the implementation of Tiers 1 through 4 of the CAP/MR-DD program. The Plan shall describe the implementation of Tiers 1 and 4 and the proposed implementation of Tiers 2 and 3, and revisions of Tier 4, and shall include detail on the following:

a. the array and intensity level of services that will be available under each of the four Tiers;

b. the range of costs for the array and intensity level of services under each of the four Tiers;

c. How the relative intensity of need for each current and future CAP/MR-DD eligible individual will be reliably determined; and

d. How the determination of intensity of need will be used to assign individuals appropriately into one of the four Tiers.

The Department may develop but shall not submit an application to the Centers for Medicare and Medicaid services for additional Medicaid waivers for Tiers 2 and 3 of the CAP/MR-DD program until after it has submitted the Plan required under this subdivision. Nothing in this subdivision obligates the General Assembly to appropriate additional funds for the CAP-MR/DD waiver.

SECTION 3. State/County Special Assistance Residency Requirements. – G.S. 108A-41(b) reads as rewritten:

"(b) Assistance shall be granted to any person who:

(1) Is 65 years of age and older, or is between the ages of 18 and 65 and is permanently and totally disabled; and

(2) Has insufficient income or other resources to provide a reasonable subsistence compatible with decency and health as determined by the rules and regulations of the Social Services Commission; and

(3) Is one of the following:
a. A resident of North Carolina for at least ~~90~~180 days immediately prior to receiving this assistance;
b. A person coming to North Carolina to join a close relative who has resided in North Carolina for at least 180 consecutive days immediately prior to the person's application. The close relative shall furnish verification of his or her residency to the local department of social services at the time the applicant applies for special assistance. As used in this sub-subdivision, a close relative is the person's parent, grandparent, brother, sister, spouse, or child; or
c. A person discharged from a State facility who was a patient in the facility as a result of an interstate mental health compact. As used in this sub-subdivision the term State facility is a facility listed under G.S. 122C-181."

The Department shall study issues relating to consumers with mental illness residing in adult care homes and report its findings and any recommendations to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services by March 1, 2010.

SECTION 4. Billing Changes. –

(1) The Department of Health and Human Services shall create an "incurred but not reported" category of expenditures such that services are paid based on the actual date of services rather than the date when the invoice is received. The Department may only implement this change with the approval of the Office of State Budget and Management.

(2) The Department of Health and Human Services may require that providers of mental health, developmental disabilities, and substance abuse services submit bills to the LME for State-funded services within 60 days of the date the services were provided.

SECTION 5. Service Dollar Reallocations. – The Department of Health and Human Services may create a midyear process by which it can reallocate State service dollars away from LMEs that do not appear to be on track to spend the LMEs' full appropriation and towards LMEs that appear able to spend the additional funds.

SECTION 6. Assessment Tool/Individuals with Developmental Disabilities. –

(1) The Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall continue implementation of the current Supports Intensity Scale (SIS) assessment tool pilot project if the pilot project has demonstrated that the SIS tool:
a. Is effective in identifying the appropriate array and intensity of services, including residential supports or placement, for individuals assessed.
b. Is valid for determining intensity of support related to resource allocation for CAP-MR/DD, public and private ICF-MR facilities, developmental disability group homes, and other State or federally funded services.
c. Is used by an assessor that does not have a pecuniary interest in the determinations resulting from the assessment.
d. Determines the level of intensity and type of services needed from developmental disability service providers.

(2) The Department shall report on the progress of the pilot project by May 1, 2010. The Department shall submit the report to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and

Substance Abuse Services, 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. The report shall include the following:

a. The infrastructure that will be needed to assure that the administration of the assessment tool is independent from service delivery, the qualifications of assessors, training and management of data, and test-retest accountability.

b. The cost to: (i) purchase the tool, (ii) implement the tool, (iii) provide training, and (iv) provide for future expansion of the tool statewide.

SECTION 7. Death Reporting in Facilities Providing MH/DD/SA Services. –

(1) The Department of Health and Human Services shall establish and maintain a database of all deaths occurring in facilities subject to regulation under Chapter 122C of the General Statutes. The database shall include the name and location of the facility, the time and date of death, and the cause of death, as well as all known details surrounding the death. All facilities regulated under Chapter 122C of the General Statutes, and all facilities required by law to report death occurring in the facility to the State Medical Examiner, shall report the information to the database within 10 days of the date of the death.

(2) The Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services shall provide training on death reporting to administrative and direct care employees that are employed in State facilities subject to regulation under G.S. 122C-181.

SECTION 8. Service Authorization, Utilization Review, and Utilization Management. –

(1) The Department of Health and Human Services shall continue to implement its plan to return the service authorization, utilization review, and utilization management functions to LMEs for all clients. Not later than January 1, 2011, the Department shall return utilization review, utilization management, and service authorization for publicly funded mental health, developmental disabilities, and substance abuse services to LMEs representing in total at least thirty percent (30%) of the State's population. An LME must be accredited for national accreditation under behavioral health care standards by a national accrediting entity approved by the Secretary and must demonstrate readiness to meet all requirements of the existing vendor contract with the Department for such services in order to provide service authorization, utilization review, and utilization management to Medicaid recipients in the LME catchment area. Not later than July 1, 2010, the Department shall designate those LMEs that will be performing utilization review, utilization management, and service authorization on and after January 1, 2011, in accordance with this section.

(2) The Department shall require LMEs to include in their service authorization, utilization management, and utilization review a review of assessments, as well as person-centered plans and random or triggered audits of services and assessments.

SECTION 9. The North Carolina Institute of Medicine (NCIOM) shall conduct a study of mental health, developmental disabilities, and substance abuse services that are funded with Medicaid funds and with State funds. The purpose of the study is to determine what services are currently available to active, reserve, and veteran members of the military and national guard and the need for increased State services to these individuals. The NCIOM shall

report its findings and recommendations to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services on or before the convening of the 2010 Regular Session of the 2009 General Assembly.

SECTION 10. This act is effective when it becomes law.

HOUSE BILL 458
Committee Substitute Favorable 5/12/09

Short Title: Recommendations of MH/DD/SA Oversight Comm. (Public)

Sponsors:

Referred to:

March 9, 2009

A BILL TO BE ENTITLED

AN ACT TO ENACT VARIOUS LAWS TO IMPROVE THE MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE SERVICES SYSTEM, 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. Merger or Consolidation of LMEs. –

(1) The Secretary of the Department of Health and Human Services shall not take any action prior to June 1, 2010, that would result in the merger or consolidation of local management entities (LMEs), or that would establish consortia or regional arrangements for the same purpose.

(2) Notwithstanding the provisions of subdivision (1) of this section, contiguous LMEs may implement a merger or consolidation if at least one of the following criteria is satisfied:

a. At least one of the LMEs does not meet the catchment area requirements of G.S. 122C-115 and the merger or consolidation is to overcome noncompliance with G.S. 122C-115; or

b. Each board of county commissioners within the multicounty area comprising each of the LMEs involved in the proposed merger or consolidation has approved the merger or consolidation.

(3) Contracts between LMEs for service authorization, utilization review, and utilization management functions do not constitute a merger or consolidation as addressed in this section.

SECTION 2. Medicaid Waivers. –

(1) The Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services may develop and apply to the Centers for Medicare and Medicaid Services (CMS) for additional 1915(b) and 1915(c) Medicaid waivers in order to increase the flexibility of LMEs with respect to management and coordination of mental health, developmental disabilities, and substance abuse services. If approved, the Department shall not implement any waiver except as authorized by an act of the General Assembly appropriating funds for this purpose. The Department shall report on the status of any waiver developed or applied for pursuant to this subdivision to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Joint Legislative

Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, and the Fiscal Research Division not later than March 1, 2010.

(2) The Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services shall apply to the Centers for Medicare and Medicaid Services for a 1915(c) waiver to permit individuals who sustain traumatic brain injury after age 22 to access home- and community-based Medicaid services. If approved, the Department shall not implement the waiver except as authorized by an act of the General Assembly appropriating funds for this purpose. The Department shall report on the status of the waiver to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division not later than March 1, 2010.

(3) Not later than six months after the effective date of this act, the Department of Health and Human Services, Division of Medical Assistance, in conjunction with the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services shall submit a written report to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services summarizing its implementation of Tiers 1 and 4 of the CAP-MR/DD program and future plans for implementation of Tiers 2 and 3 of the CAP-MR/DD program. The summary shall include an explanation of (i) the planned array and intensity level of services to be made available under each of the four tiers, (ii) the range of costs for the planned array and intensity level of services to be made available under each of the four tiers, (iii) how the relative intensity of need for each CAP eligible individual will be reliably determined, and (iv) how the determination will be used to assign individuals appropriately into one of the four tiers. The Department shall not develop or submit an application to the Centers for Medicare and Medicaid Services for additional Medicaid waivers for Tiers 2 and 3 of the CAP-MR/DD program until it has submitted the report required by this subdivision.

SECTION 3. State/County Special Assistance Residency Requirements. – G.S. 108A-41(b) reads as rewritten:

"(b) Assistance shall be granted to any person who:

(1) Is 65 years of age and older, or is between the ages of 18 and 65 and is permanently and totally disabled; and

(2) Has insufficient income or other resources to provide a reasonable subsistence compatible with decency and health as determined by the rules and regulations of the Social Services Commission; and

(3) Is one of the following:

a. A resident of North Carolina for at least ~~90~~180 days immediately prior to receiving this assistance;

b. A person coming to North Carolina to join a close relative who has resided in North Carolina for at least 180 consecutive days immediately prior to the person's application. The close relative shall furnish verification of his or her residency to the local department of social services at the time the applicant applies for special assistance.

As used in this sub-subdivision, a close relative is the person's parent, grandparent, brother, sister, spouse, or child; or

c. A person discharged from a State facility who was a patient in the facility as a result of an interstate mental health compact. As used in this sub-subdivision the term State facility is a facility listed under G.S. 122C-181."

The Department shall study issues relating to consumers with mental illness residing in adult care homes and report its findings and any recommendations to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services by March 1, 2010.

SECTION 4. Billing Changes. –

(1) The Department of Health and Human Services shall create an "incurred but not reported" category of expenditures such that services are paid based on the actual date of services rather than the date when the invoice is received. The Department may only implement this change with the approval of the Office of State Budget and Management.

(2) The Department of Health and Human Services may require that providers of mental health, developmental disabilities, and substance abuse services submit bills to the LME for State-funded services within 60 days of the date the services were provided.

SECTION 5. Service Dollar Reallocations. – The Department of Health and Human Services may create a midyear process by which it can reallocate State service dollars away from LMEs that do not appear to be on track to spend the LMEs' full appropriation and towards LMEs that appear able to spend the additional funds.

SECTION 6. Screening Tool/Individuals With Developmental Disabilities. –

(1) The Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services shall identify a screening tool to assess level and intensity of need of all individuals with developmental disabilities receiving publicly funded services.

(2) Not later than March 1, 2010, the Department of Health and Human Services shall report on the identification of the screening tool to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division.

SECTION 7. Death Reporting in Facilities Providing MH/DD/SA Services. –

(1) The Department of Health and Human Services shall establish and maintain a database of all deaths occurring in facilities subject to regulation under Chapter 122C of the General Statutes. The database shall include the name and location of the facility, the time and date of death, and the cause of death, as well as all known details surrounding the death. All facilities regulated under Chapter 122C of the General Statutes, and all facilities required by law to report death occurring in the facility to the State Medical Examiner, shall report the information to the database within 10 days of the date of the death.

(2) The Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services shall provide training on death reporting to administrative and direct care employees that are employed in State facilities subject to regulation under G.S. 122C-181.

SECTION 8. Service Authorization, Utilization Review, and Utilization Management. –

(1) The Department of Health and Human Services shall continue to implement its plan to return the service authorization, utilization review, and utilization management functions to LMEs for all clients. Not later than January 1, 2011, the Department shall return utilization review, utilization management, and service authorization for publicly funded mental health, developmental disabilities, and substance abuse services to LMEs representing in total at least sixty percent (60%) of the State's population. An LME must be accredited for national accreditation under behavioral health care standards by a national accrediting entity approved by the Secretary and must demonstrate readiness to meet all requirements of the existing vendor contract with the Department for such services in order to provide service authorization, utilization review, and utilization management to Medicaid recipients in the LME catchment area. Not later than July 1, 2010, the Department shall designate those LMEs that will be performing utilization review, utilization management, and service authorization on and after January 1, 2011, in accordance with this section.

(2) The Department shall require LMEs to include in their service authorization, utilization management, and utilization review a review of assessments, as well as person-centered plans and random or triggered audits of services and assessments.

SECTION 9. The North Carolina Institute of Medicine (NCIOM) shall conduct a study of mental health, developmental disabilities, and substance abuse services that are funded with Medicaid funds and with State funds. The purpose of the study is to determine what services are currently available to active, reserve, and veteran members of the military and national guard and the need for increased State services to these individuals. The NCIOM shall report its findings and recommendations to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services on or before the convening of the 2010 Regular Session of the 2009 General Assembly.

SECTION 10. This act is effective when it becomes law.

ATTENDANCE

APPROPRIATIONS SUBCOMMITTEE ON HEALTH AND HUMAN SERVICES

(Name of Committee)

DATES	3-11-09	3-19-09	4-7-09	4-16-09	4-28-09	5-5-09	5-19-09	5-21-09	6-24-09						
REP. VERLA INSKO - CHAIR	X	X	X	X	X	X	X	X	X						
REP. BEVERLY EARLE - CHAIR	X		X	X	X	X	X	X							
REP. BOB ENGLAND - CHAIR	X		X	X	X	X	X	X	X						
REP. JEFF BARNHART VICE-CHAIR	X			X		X	X	X							
REP. JEAN FARMER-BUTTERFIELD VICE-CHAIR	X	X	X	X	X	X	X	X							
REP. WILLIAM BRISSON	X	X	X	X	X	X		X							
REP. JUSTIN BURR		X	X		X		X								
REP. PEARL BURRIS-FLOYD		X	X	X	X	X	X		X						
REP. NELSON DOLLAR		X			X	X	X	X							
REP. WIL NEUMANN	X	X		X	X	X	X	X	X						
REP. RANDY STEWART		X	X		X	X	X	X	X						
Sen. William Purcell	X	X													
Sen. Doug Berger	X	X													
Sen. Martin Nesbitt	X	X													
Sen. Charles Dannelly															
Sen. Blake Harris	X	X													
Sen. Debbie Clary	X	X													
Sen. James Forrester		X													
STAFF															
Melanie Bush	X	X		X	X	X	X	X							
Lee Dixon	X	X		X	X	X	X	X							
Lisa Hollowell	X	X		X	X	X	X	X							
Bruce Ball	X	X		X	X	X	X	X							

House Pages

Health & Human SVCs
APPRO

Name of Committee: _____ **Date:** 5/21/09

1. Name: Madison Marston
   County: New Hanover
   Sponsor: Rep. Justice
2. Name: Shelby Heller
   County: Harnett
   Sponsor: Rep. Lewis
3. Name: _____
   County: _____
   Sponsor: _____
4. Name: _____
   County: _____
   Sponsor: _____
5. Name: _____
   County: _____
   Sponsor: _____

Sgt-At-Arms

1. Name: MARTHA GADISON
2. Name: MARVIN LEE
3. Name: TREY RALEY

VISITOR REGISTRATION SHEET

Health & Human Services App. — 5/21/09

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Patsy A. Yancey	APPCNC
Lee Thompson	Covenant w/ NC's Children
Leo Rubbert	CYPC
Betsy Vetter	American Heart Assn
[illegible]	[illegible]
Zach McMichael	Crotty's
Emily Welborne	The Policy Group
Matt Farrell	TPG

VISITOR REGISTRATION SHEET

Health & Human Svcs Approp — 5/21/09

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Jennifer Sasser	Williams Mullen
Joan Adams	Rep. Blackwell
Pam Kilpatrick	OSBM
Melvin Lee	OSBM
Joe Lanier	Sec Wicker
Ashley Bell	American Cancer Society
Amy McConkey	Smith Anderson
[illegible]	CFTF
[illegible]	MHM <1 AHIDS
[illegible]	MWC
[illegible]	MWC

VISITOR REGISTRATION SHEET

App. Health & Human Services — 5/21/09

Name of Committee — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Chris Wallis	Kml Bates
Julia Leggett	The Arc of NC
TINA GOERSON	NC Nurses Assoc
Andrew Cagle	DLC/Assoc.
Adam Sen	NCJC

VISITOR REGISTRATION SHEET

App Health + Human Services — 5/21/09

Name of Committee — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
G Payne	MWC
Jamal Jones	NCAA
DHARMI TAILOR	MS Society
Patrick Baffi	NMR
John McCullen	MFAS
Chris Mann	Raleigh
Jill Ann Hankers	CADA
Barbara Canada	PSCOA
John Bowdich	AstraZeneca
Joni Allberg	BEGINNINGS
Lon Nuth	NCALTCF
Elizabeth Dalton	NCRMA

VISITOR REGISTRATION SHEET

APP Health + Human Services — 5/21/09

Name of Committee — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Jennifer Talbot	Prevent Blindness
Karen Kelley	NC DHHS DSS
Mark Gumbell	HWTF
Kim McCann	CFSA
Jack Walsh	Earth Seal LLC
Earl Mault	Johnston Co DSS
Rebecca Troutman	NCACC
Abby Emanuel	NASS-NC
DAVID BARNES	Pepper Sprawl
Mary Bartha	AANA-NC
S Fangel	Smart Start

MINUTES
Appropriations Subcommittee on
Health and Human Services

May 28, 2009

The Appropriations Subcommittee on Health and Human Services met in Room 643 on May 28, 2009. Representative Bob England presided and called the meeting to order at 8:30 a.m. Chairman England then welcomed all members and visitors and introduced the Pages and Sergeant at Arms who would be assisting with the meeting.

The following members were present; Chairs: Representatives Earle and Insko, and Vice Chairs: Representatives Barnhart and Farmer-Butterfield. Members: Representatives Brisson, Burris-Floyd, Dollar, Neumann, and Stewart.

Chairman England then recognized members of the General Assembly staff to present the proposed money report to the Committee. Lisa Hollowell, Melanie Bush, Lee Dixon, and Bryce Ball presented the Legislative changes for each of the Divisions within the Department of Health and Human Services. Following the presentations, Chairman England recognized members of the Committee for questions of staff.

After these discussions, Chairman England thanked the Committee members for their attendance and adjourned the meeting at 9:40 a.m. A copy of the presentation is attached to these minutes.

Representative Bob England, MD
Chairman

Lisa W. Brown
Committee Assistant

ATTENDANCE

Appropriations Subcommittee on Health and Human Services

DATES	5-28-2009													
Rep. Beverly Earle, Chair	X													
Rep. Bob England, Chair	X													
Rep. Verla Insko, Chair	X													
Rep. Jeff Barnhart, Vice Chair	X													
Rep. Farmer-Butterfield, Vice Chair	X													
Rep. William Brisson	X													
Rep. Justin Burr														
Rep. Pearl Burris-Floyd	X													
Rep. Nelson Dollar	X													
Rep. Wil Neumann	X													
Rep. Randy Stewart	X													
Sen. William Purcell, Chair														
Sen. Doug Berger, Chair														
Sen. Charlie Dannelly														
Sen. Martin Nesbitt														
Sen. Harris Blake														
Sen. Debbie Clary														
Sen. James Forrester														
Staff														
Lisa Hollowell, Team Leader	X													
Melanie Bush	X													
Lee Dixon	X													
Bryce Ball	X													

HOUSE APPROPRIATIONS SUBCOMMITTEE FOR HEALTH AND HUMAN SERVICES

AGENDA

May 27, 2009
8:30AM
Room 643, LOB

Rep. Beverly Earle
Rep. Verla Insko
Rep. Bob England
Rep. Jeffrey Barnhart
Rep. Jean Farmer-Butterfield
Rep. William Brisson
Rep. Justin Burr
Rep. Pearl Burris-Floyd
Rep. Nelson Dollar
Rep. Wil Neumann
Rep. Randy Stewart

Chairs

Representative Beverly Earle
Representative Verla Insko
Representative Bob England

Proposed Money Report **Staff**

VISITOR REGISTRATION SHEET

App Health + Human Ser — 5/27/09

Name of Committee — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Wanda Mitchell	DMHDDSAS
Bill Scott	DMH
Dick Carlton	
Jennifer Talbot	JC Prevent Blindness
Victoria Byrd	Partnerships for Children / Stanly
Victoria Hawkins	Bone & Assoc
David Brady	NWC
Stephan Fayal	Smart Start
C Payne	NWC
Roz Sawitt	NC Child Care Coalition
Jud Bonn	Bonn & Asso.
Jud Woodall	Eastern Band UCP

VISITOR REGISTRATION SHEET

App Health + Human Services — 5/28/09

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
TINA GORDON	NC Nurses Assoc
Janet Schaumach	Indigo
Yvonne Copeland	NCCCP
TRACY COLLINS	AHIP
Ashley Bell	American Cancer Society
[illegible]	NHA
Robin Huffman	NC Psychiatric Assoc.
Julia Leggett	The Arc of NC
[illegible]	NCPA
[illegible]	M&M - Athlos
Jack Register	NC Chap Nat. Assn of Social Workers

VISITOR REGISTRATION SHEET

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Michelle Frazier	MF+S
Mary Bethea	AARP - NC
BRAD ALLEN	NC SENIOR CARES, INC.
John Dunn	Gov's office
Pam Kilpatrick	OSBM
Melvin Lee	OSBM
Louisa Warren	NC Justice Ctr
Kari Barsness	OSBM
Kathy DeMay	NCACC
Steve Tucker	Budget & Tax
Suzanne Beasley Malyszka	SEANC

VISITOR REGISTRATION SHEET

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Ardis Watkins	SEANC
Joe Neff	NDD

VISITOR REGISTRATION SHEET

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Wanda S. Mandeville	Division of Information Resource Management NC DHHS
Mike Lancaster	DMH/DD/SAS

VISITOR REGISTRATION SHEET

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Tommy Suter	Novartis
Stephen Dodge	Novartis
David Barnes	Poyner Spruill
Andy Eller	NCPWA
Elizabeth Dalton	NCPWA
Chris Wallis	KKC&Tes
Chip Baggett	NCMS
Barbara Conaboy	BSCOE
George Imirzian	TxT
Lee Nelson	NCAHTCF
John Allen	NMRS

House Pages

Name of Committee: App Health & Human Ser Date: 5/28/09

1. Name: Hillary Mushaka
   County: Wayne
   Sponsor: Rep. Wainwright
2. Name: Netta Williams
   County: Johnston
   Sponsor: Daughtry
3. Name:
   County:
   Sponsor:
4. Name:
   County:
   Sponsor:
5. Name:
   County:
   Sponsor:

Sgt-At-Arms

1. Name: Trey Raley
2. Name: Ken Burroughs
3. Name: Rod Finger
   Martha Gadison

House Appropriations Subcommittee for Health and Human Services Proposed Money Report FY2009-11

May 28, 2009

Health and Human Services

GENERAL FUND

	FY 09-10		FY 10-11	
Recommended Budget	**$5,536,344,939**		**$5,806,560,945**	
Legislative Changes				
(1.0) Division of Child Development				
1 Adjust Continuation Budget	($109,735)	R	($109,735)	R
Adjusts continuation budget to a level at or below FY 2008-09 Authorized Budget.	($1,327)	NR		
2 Eliminate Positions	($87,375)	R	($87,375)	R
Eliminates positions within the Division of Child Development.	-3.00		-3.00	
3 Reduce Operating Expenses	($20,000)	R	($20,000)	R
Reduces operating expenses within the central management of Division of Child Development.				
4 Contracts	($131,554)	R	($131,554)	R
Eliminates funds to administer the testing-out of coursework allowed for lead child care teachers. As of July 2008, lead child care teachers may no longer test out of coursework; therefore, these funds are not needed. Reduces a contract for Seat Management.				
5 Child Care Subsidy Rate Reduction	($2,300,000)	R	($2,300,000)	R
Reduces the rate for funds paid to child care centers for subsidy recipients. This reduction represents a 3% rate reduction. These funds are state appropriations within the Division of Child Development and appropriated to North Carolina Partnership for Children.				
6 Child Care Subsidies	($14,600,000)	R	($14,600,000)	R
Reduces child care subsidies.				
7 Replace State Funds for Child Care Subsidy				
Replaces State funding for child care subsidy with one-time Temporary Assistance for Needy Families Block Grant (TANF) contingency funds for FY2009-10.	($12,452,484)	NR		
8 Increase Fees for Child Care Centers and Charge a Fee for Child Care Homes	($602,385)	R	($602,385)	R
Increases the existing child care licensure fees by 50% and reduces the State appropriations within the Division of Child Development. Imposes a new fee for child care homes equal to the amount that the smallest centers are required to pay.				

	FY 09-10		FY 10-11	
9 Federal Recovery Funds for Child Care Subsidy Increases funds for child care subsidy to reduce the waiting list as allowed by the Federal Recovery Act by $53,993,329. Increases funds for quality initiations, as allowed by the Federal Recover Act by $11,519,144. Increases funds to local governments for the administration of the child care subsidy program by $2,030,661.				
10 Reduce Smart Start Funding Reduces funds for the North Carolina Partnership for Children.	($10,000,000)	R	($10,000,000)	R
11 Replace State Funding for TEACH Program Replaces State funds for the TEACH Program with federal receipts for two years.	($3,800,000)	NR	($3,800,000)	NR
(2.0) Division of Mental Health, Developmental Disabilities, and Substance Abuse Services				
12 Adjust Continuation Budget Adjusts continuation budget to a level at or below FY 2008-09 Authorized Budget.	($74,408,533)	R	($91,641,479)	R
13 Contracts Reduces state funds in contracts by 20% within the Division managed by central management.	($1,900,000)	R	($1,900,000)	R
14 Eliminate Positions Eliminates positions within the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services.	($12,858,290) -465.54	R	($12,858,290) -465.54	R
15 Local Management Entities System Management Funds Reduces funds for administration of Local Management Entities.	($5,000,000)	R	($5,000,000)	R
16 CAP/MR-DD Reduction in State Supplemental Funds Reduces service funding for supplemental state-funded services provided to CAP/MR-DD patients. Services will still be allowed for room and boarding.	($16,000,000)	R	($16,000,000)	R
17 Close Bed Units at Broughton and Cherry Hospitals Eliminates funds for two 25 bed units at Broughton and Cherry Hospitals. Provides $6 million for contracts for local hospital bed capacity for mental health services.	-102.00		-102.00	
18 Federal Funds Payback for Broughton Hospital Reduces State funds due to a pay-back of federal funds expected from Centers for Medicare & Medicaid Services. An Administrative Law Judge ruled that Broughton Hospital should not have been decertified in August 2007 and that federal funding should not have been withheld. This payback of funds will replace State funds within the DMHDDSAS budget.	($8,000,000)	NR		
19 Non-Core State Operated Services Reduces funds for non-core mission state operated services.	($4,500,000)	R	($4,500,000)	R

	FY 09-10		FY 10-11	
20 Non-Core Community Services Reduces funds for non-core community services provided through local programs.	($4,017,219)	R	($4,017,219)	R
21 Operating Expenses Reduces funds within operating accounts within the division's central office by $250,000. Reduces funds at the maintenance facilities by $1,000,000.	($1,250,000)	R	($1,250,000)	R
22 Increase Patient Receipts at Alcohol, Drug Abuse Treatment Centers Reduces State funds at the ADATCs in anticipation of additional patient revenues collected. This is due to the increased bed capacity available at the ADATCs.	($662,867)	R	($1,127,895)	R
23 State Funded Services Reduces funds for state-funded services provided through Local Management Entities.	($50,000,000)	R	($50,000,000)	R
24 State Operated Services Purchasing/Financial Savings Reduces funds due to savings to be achieved from bulk purchasing among state-owned facilities within the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services.	($2,000,000)	R	($2,000,000)	R
25 Direct Payments to Providers Reduces state funding for Local Management Entities administrative funding. The reduction represents the total funding paid for Claims Processing. The Division of Mental Health, Developmental Disabilities, and Substance Abuse Services will begin paying providers directly alleviating LME's of claims processing responsibility.	($7,100,000)	R	($7,100,000)	R
(3.0) Division of Public Health				
26 Eliminate Positions within Division of Public Health Eliminates positions within the Division of Public Health.	($1,805,121) -46.00	R	($1,805,121) -46.00	R
27 Adjust Continuation Budget Eliminates the inflationary increaseses built into the SFY 2008/09 Continuation Budget.	($8,670,368)	R	($11,860,655)	R
28 Reduce Operating Budgets Reduces operating budgets within three branches of the Division of Public Health.	($348,363)	R	($348,363)	R
29 Reduce AIDS Drug Assistance Program Reduces State funds used to purchase pharmaceuticals. Pharmaceuticals from the "drug reserve" inventory will be used.	($3,074,119)	NR	($3,074,119)	NR

	FY 09-10		FY 10-11	
30 Vital Records Fee Increase Reduces State funds by allowing Vital Records operation to become receipt-supported. Fee charged for copy of vital records increased from $15 to $24 per copy. Fee charged for expedited out-of-state service increased by $5.	($1,226,403)	R	($1,226,403)	R
31 Reduce Funds for Public Health Incubator Program Reduces State funds for Local Health Services Incubator Grant program.	($950,000)	R	($950,000)	R
32 Shift Positions to Receipt Support Replaces State appropriation with federal WIC funds for public health and regional consultants.	($70,541)	R	($70,541)	R
33 Reduce Community Focused Eliminating Health Disparities Initiative Reduces funds for Community Focused Eliminating Health Disparities Initiative.	($200,000)	R	($200,000)	R
34 Eliminate Positions and Reduce Contracts in Early Intervention Program Eliminates nine vacant positions and reduces contract funding for four Children's Developmental Service Agencies (CDSAs).	($660,054) -9.00	R	($660,054) -9.00	R
35 Replace State Funds with Federal ARRA Funds for Early Intervention Replaces State appropriations with American Recovery and Reinvestment Act Funds for the Early Intervention/Infant and Toddler Program.	($4,000,000)	NR	($4,000,000)	NR
36 Replace State Funds with Federal Receipts Replaces State appropriations with Maternal Child Health Block Grant and Medicaid administration funds for several maternal, infant, and child programs.	($1,191,155)	R	($1,191,155)	R
37 Eliminate Statewide Contracts Eliminates funds that support the collection and analysis of hospital, family and community data concerning infants and children.	($457,967)	R	($457,967)	R
38 Reduce Contract Funding for Children and Youth Reduces contract funds for three contracts that historically have unobligated funds.	($903,965)	R	($903,965)	R
39 Reduce Funding for Accreditation of Local Health Departments Suspends for two years the Division of Public Health's evaluation and accreditation of Local Health Departments (LHDs).	($700,000)	NR	($700,000)	NR
40 Eliminate Funding for Tick-Borne Disease Program Eliminates the Division of Public Health's funding of the Tick-Borne Disease Program in the Division of Environmental and Natural Resources.	($139,802)	R	($139,802)	R

	FY 09-10		FY 10-11	
41 Eliminate Kidney Disease Purchase of Medical Care Program Eliminates the Kidney Disease Purchase of Medical Care Program that provides up to $300 for persons with annual incomes up to 100% FPL. Persons with End-Stage Renal Disease are eligible for health care services through Medicare. The program was suspended in January 2009.	($160,000)	R	($160,000)	R
42 Eliminate Epilepsy Purchase of Medical Care Program Eliminates the Epilepsy Purchase of Medical Care Program that serves a minimum number of persons who have annual incomes up to 100% FPL. The program was suspended in January 2009.	($202,000)	R	($202,000)	R
43 Eliminate Adult Cystic Fibrosis Program Eliminates the Adult Cystic Fibrosis Purchase of Medical Care program which serves a minimum number of persons. The program was suspended in January 2009.	($175,000)	R	($175,000)	R
44 Eliminate Funding for the Early Hearing Program Eliminates the Early Hearing Purchase of Medical Care Program that provides hearing devices for infants prior to their being found eligible for the Early Intervention Program. The program was suspended in January 2009.	($30,000)	R	($30,000)	R
45 Eliminate Funding for Cancer Purchase of Medical Care Program Eliminates the Cancer Purchase of Medical Care Program that provides less than comprehensive services to persons with annual incomes of under 100% FPL. The program was suspended in January 2009.	($2,531,934)	R	($2,531,934)	R
46 Eliminate Health Education for Children Contract Eliminates the contract with the Alice P. Aycock Center to plan, develop, and provide health education programs to children.	($150,000)	R	($150,000)	R
47 Eliminate Media Contract Eliminates the media contract through the National Alliance for Tobacco Cessation.	($106,746)	R	($106,746)	R
48 Eliminate Funds for Tobacco Quit Line Eliminates funding for Tobacco Quit Line. The Quit Line will continue to receive funding from the Health and Wellness Trust Fund.	($1,100,000)	R	($1,100,000)	R
49 Eliminate State Funds for Professional and Public Education Contract Eliminates state appropriations for contract with the Southern Atlantic American Cancer Society to conduct training on best practices to physicians and local health departments.	($371,250)	R	($371,250)	R
50 Replaces Funding for Medically Fragile Children Program Replaces State funds with federal TANF Block Grant and Social Services Block Grant funds for the daycare program for medically fragile children in Wake County. TANF and SSBG provide $360,000 in funding for this program.	($70,000)	R	($70,000)	R

	FY 09-10		FY 10-11	
51 Replace State Funds with Federal Receipts from Ryan White Funds Replace State appropriations with Federal Ryan White funds for Duke University HIV/STD Pediatric Services Program.	($209,503)	R	($209,503)	R
52 Eliminate Funding for Second Dose Chicken Pox Vaccine Eliminates funding for the second dose of Varicella vaccine. The second dose is recommended, but not required for children born after April 2001. The second dose is not required by the Universal Vaccine Program	($1,223,027)	R	($1,223,027)	R
53 Replace State Funds with ARRA Funds for Childhood Immunization Replaces State appropriations with American Recovery and Reinvestment Act funds $5,153,105 for one year to purchase of vaccines for children.	($5,153,105)	NR		
54 Replace State Funds with Third Party Receipts for Immunization The Department of Health and Human Services will seek third party reimbursement for child and adult immunizations.	($4,000,000)	R	($4,000,000)	R
55 Eliminate the Healthy Carolinians Program Eliminates the Healthy Carolinians/Health Education program that establishes multi-agency partnerships at the community level to plan projects guided by the NC 2010 health objectives.	($995,529) -1.00	R	($995,529) -1.00	R
56 Eliminate Contracts in Chronic Disease Prevention Program Eliminates funds that support non-service contracts, including those associated with epilepsy, osteoporosis, cancer, performance improvement, diabetes, health insurance, smoke alarms, and data links.	($548,755)	R	($548,755)	R
57 Eliminate or Reduce Funding for Contracts in Children & Youth Program Elimiates or reduces funds for contracts that previously have had unobligated balances or do not provide direct services to women and children, including those associated with children with special needs; conferences and training; and specifically, Healthy Start Foundation and Adolescent Pregnancy Prevention Campaign of North Carolina.	($1,504,159)	R	($1,504,159)	R
58 Reduce Funding for School Health Nurses Reduces state appropriations for School Health Nurses.	($1,000,000)	R	($1,000,000)	R
59 Reduces Funding for Office of Chief Medical Examiner Reduces state appropriations for the Office of Chief Medical Examiner to a level consistent with SFY 2008-09.	($80,000)	R	($80,000)	R

	FY 09-10		FY 10-11	
60 Reduce Funding for Sickle Cell Care Coordination Program Reduces state appropriations for Sickle Cell Care Coordination program that provides coordination, consultation, referral, education, and other services through five hospitals and universities across the state.	($120,000)	R	($120,000)	R
(4.0) NC Health Choice				
61 Eliminate Inflationary Increase Eliminates the inflation increase the in the Per Member/Per Month premium cost for Health Choice.	($7,076,746)	R	($7,076,746)	R
62 Reduce Operating Expense Reduces various operating accounts that historically have unobligated funds.	($23,645)	R	($23,645)	R
63 Establish/Increase Emergency Room Co-payments for Non-emergency Visits Reduces State funding by establishing a $50 co-payment for non-emergency visits for families with children enrolled in Health Choice.	($382,665)	R	($482,728)	R
64 Increase Co-Payments for Prescription Drugs Reduces State funding by increasing co-payments for prescription drugs: $3 for Generic Drugs; $3 for Brand Name Drugs without Generic Equivalent; $5 for Brand Name Drugs for families at or below 150% federal poverty level (FPL); and $10 for families above 151% FPL.	($600,000)	R	($600,000)	R
65 Health Choice Enrollment Freeze Freeze enrollment in Health Choice as of June 30, 2009. Maintains enrollment at 129,694 children during SFY 2009-10.	($2,542,557)	R	($2,542,557)	R
(5.0) Division of Central Management and Support				
66 Adjust Continuation Budget Adjusts continuation budget to a level at or below FY 2008-09 Authorized Budget.	($2,500,117)	R	($3,076,484)	R
67 Reduce Physician Loan Repayment Program Reduces state appropriations and the number of contracts awarded by approximately eight.	($210,000)	R	($210,000)	R
68 Reduce Psychiatric Loan Repayment Program Reduces state appropriations and reduces the number of contracts by two from the prior year.	($140,000)	R	($140,000)	R
69 Eliminates Loan Repayment Initiative at State Facilities Eliminates funding that the General Assembly appropriated in the 2008 Session to recruit medical doctors to the State's mental health hospitals. To date, these funds have not been awarded.	($868,519)	R	($868,519)	R

	FY 09-10		FY 10-11	
70 Reduce Community Health Grants Reduces funding for the Community Health Grant program by 7%, leaving $1,860,000 recurring. This reduction decreases the number of grants awarded annually by approximately two.	($140,000)	R	($140,000)	R
71 Eliminate Positions Eliminates twenty-five Central Management and Support positions.	($1,330,221) -25.00	R	($1,330,221) -25.00	R
72 Eliminate Special Appropriations Eliminates appropriations to non-profits, including the Institute of Medicine, Food Runners, Special Olympics, ALS Association, and Action for Children.	($1,275,000)	R	($1,275,000)	R
73 Discontinue CARE-LINE 24/7/365 Operation Eliminates the CARE-LINE third shift.	($128,502) -2.00	R	($128,502) -2.00	R
74 Reduce Rental Subsidy Reduces funds for transfer to the North Carolina Housing Finance Agency to operate the Key Program. Approximately 310 rental units will not be ready for occupancy in FY2009-10.	($1,155,000)	NR		
75 Reduce Operating Budgets Reduces operating budgets within Central Management and Support divisions and offices, including the Secretary's Office, the Administrative Support section, the Controller's Office, and the Office of Rural Health and Community Care.	($349,235)	R	($349,235)	R
76 Medicaid Management Information System (MMIS) Replacement Appropriates prior-year earned revenue of $11,071,502 for FY 2009-10 and $9,820,689 for FY 2010-11 to match federal funds for the MMIS Replacement project. Total receipts of $55,357,510 for FY 2009-10 and $49,103,445 for FY 2010-11 offset anticipated requirements.				
77 Federal Recovery Funds for Weatherization Assistance Appropriates $131,954,536 of Federal Recovery funds for weatherization assistance to low-income North Carolinians.				
78 Additional Community Services Block Grant from Federal Recovery Act Appropriates Community Services Block Grant (CSBG) funds, $21,870,834 in FY 2009-10 and $4,374,166 in FY 2010-11, available through the American Recovery and Reinvestment Act. Federal Recovery funds will increase access to employment supports, food, housing, and health care through services provided by community action and limited purpose agencies. Approximately one percent is set aside for benefit enrollment and coordination.				

	FY 09-10		FY 10-11	
(6.0) Division of Social Services				
79 Adjust Continuation Budget Adjusts continuation budget to a level at or below FY 2008-09 Authorized Budget.	($15,860,751) ($1,868,785)	R NR	($15,860,751)	R
80 Eliminate Positions Eliminates positions within the Division of Social Services.	($694,570) -30.00	R	($694,570) -30.00	R
81 Reduce Operating and Contracts Budgets Reduces operating budgets division-wide.	($1,774,570)	R	($1,774,570)	R
82 Work First Cash Assistance Funding Replaces State funds for Work First cash assistance payments with federal TANF Block Grant funds.	($7,178,459)	R	($7,178,459)	R
83 Electing Counties Work First State Funds Replaces State funds with federal TANF Contingency funds for Work First cash assistance payments and Work First county block grants for Electing Counties.	($2,378,213)	NR		
84 Reduce Funds for Family Resource Centers Reduces funds for Family Resource Center contracts.	($200,000)	R	($200,000)	R
85 Reduce Funds for Child Advocacy Centers Reduces funding for the 21 accredited child advocacy centers statewide, which provide services to abused and neglected children. During its 2008 Session, the General Assembly increased State appropriations by $350,000 on a recurring basis. This reduction leaves $460,000 in total funding.	($115,000)	R	($115,000)	
86 Replace State Funds for Maternity Home Services Replaces State funding for Maternity Home Services with federal TANF Block Grant and Social Services Block Grant funds - $943,002 is provided in federal block grant funding for provider reimbursements. There are fifteen maternity homes in nine counties providing services to approximately 190 women.	($105,002)	R	($105,002)	R
87 Reduce Funds for NC Reach Reduces recurring state funding for the NC Reach post-secondary scholarship program for adopted children and those aging out of foster care. Total state funding for scholarships is temporarily suspended for FY2009-10; however, $3,168,250 is appropriated from the Escheat Fund to support the program.	($1,500,000) ($1,668,250)	R NR	($1,500,000)	R
88 Recovery Funds for Foster Care and Adoption Assistance Reduces state appropriations to reflect enhanced federal participation for Title IV-E adoption and foster care assistance payments, effective through December 31, 2010.	($2,203,516)	NR	($1,126,866)	NR

	FY 09-10		FY 10-11	
89 Federal Recovery Funds for Child Support Enforcement Reduces state appropriations and budgets federal funds to reflect the temporary reinstatement of federal matching of child support incentive funds.	($2,214,542)	NR		
90 Eliminate State Funding for Child Welfare Collaborative Eliminates state funding for the Child Welfare Collaborative, which provides financial, educational, and employment support for selected social work students.	($261,028)	R	($261,028)	R
91 Budget Over-realized Receipts Budgets over-realized Child Support receipts.	($600,000)	R	($600,000)	R
92 Reduce State Aid to Counties Reduces state funding to support costs associated with county administration of public assistance programs.	($5,473,985)	R	($5,473,985)	R
93 Eliminate Funding for Child Support Offices Eliminates state funding for the sixteen state-operated child support offices, and requires the twenty-eight counties served by these offices to fund their operation.			($4,082,811)	R
94 Reduce State/County Special Assistance Rates Retracts the state/county special assistance rate increase made effective January 1, 2009, and holds those disenfranchised recipients harmless for the change in the standard of need.	($3,163,883)	R	($3,163,883)	R
95 Decrease Foster Care & Adoption Assistance Rates Retracts the standard board rate increases approved by the General Assembly in 2008, but retains non-federal participation and county hold harmless provisions effective January 1, 2009.	$1,174,026	NR	($1,122,638)	R
(7.0) Office of Education Services				
96 Adjust Continuation Budget Adjusts continuation budget to a level at or below FY 2008-09 Authorized Budget.	($471,414)	R	($523,322)	R
97 Reduce Operating Budget Reduces operating and contract budgets office-wide.	($1,661,090)	R	($1,661,090)	R
98 Eliminate Positions Eliminates five vacant positions at the North Carolina Schools for the Deaf (NCSD), eleven positions at Eastern North Carolina School for the Deaf (ENCSD), fourteen at Governor Morehead School for the Blind (GMS), and two at Governor Morehead Preschool.	($1,350,212) -32.00	R	($1,350,212) -32.00	R

	FY 09-10		FY 10-11	
99 Eliminate Governor Morehead School Short-Term Outreach Program	($151,679)	R	($151,679)	
Eliminates the Short Term Outreach program, which provides weekly camps for approximately 70 children annually to develop orientation and mobility, money-handling, and other skills.	-3.00		-3.00	
100 Reduce Family Resource Center Funds	($229,151)	R	($229,151)	R
Reduces funds for the Beginnings for Parents of Hearing Impaired Children contract.				
101 Transfer from OES Trust Fund	($175,321)	NR		
Transfers available cash balance from various funds within budget code 64424.				
102 Reduce Funding for Residential Schools	($7,500,000)	R	($7,500,000)	R
Reduces funding for the residential schools for the deaf and blind, subject to schools' recommendations for decreasing recurring costs.				
(8.0) Divisions of Services for the Blind and Services for the Deaf and Hard of Hearing				
103 Adjust Continuation Budget	($222,013)	R	($280,955)	R
Adjusts continuation budget to a level at or below FY 2008-09 Authorized Budget.				
104 Eliminate Vacant Positions	($130,777)	R	($130,777)	
Eliminates vacant positions within the Divisions of Services for the Blind and Services for the Deaf and Hard of Hearing.	-5.00		-5.00	
105 Reduce Operating Budget	($107,712)	R	($107,712)	R
Reduces operating budgets division-wide.				
106 Replace State Funds with Federal Receipts	($150,000)	R	($150,000)	R
Budgets Basic Support Vocational Rehabilitation Grant funds and reduces State appropriations.				
107 Transfer from Telecommunications Relay Trust Fund	($7,000,000)	NR		
Transfers $7,000,000 of available cash balance from the Telecommunication Relay Trust fund.				
108 Replace State Funds with Federal Recovery Funds	($260,590)	NR	($260,590)	NR
Reduces state funds for the older blind individuals program and budgets federal recovery funds for vocational rehabilitation services ($2,974,779) and the older blind individuals independent living program ($1,042,363).				
(9.0) Division of Vocational Rehabilitation				
109 Adjust Continuation Budget	($1,181,339)	R	($1,511,633)	R
Adjusts continuation budget to a level at or below FY 2008-09 Authorized Budget.				

House Subcommittee on Health and Human Services	FY 09-10		FY 10-11	
110 Eliminate Positions Eliminates five positions within Vocational Rehabilitation.	($329,960) -5.00	R	($329,960) -5.00	R
111 Reduce Basic Support Case Services Reduces State appropriations for non-medical consumer purchases.	($3,612,025)	R	($3,612,025)	R
112 4% Service Rate Adjustment Reduces provider rates by 4%.	($113,177)	R	($113,177)	R
113 Replace State Funds with Federal Recovery Funds Replaces state funds for the independent living program and budgets anticipated federal recovery funds for vocational rehabilitation services ($15,054,221) and independent living ($402,340).	($201,170)	NR	($201,170)	NR
(10.0) Division of Aging and Adult Services				
114 Reduce Home and Community Care Block Grant Continues reduction taken in current fiscal year in the Home and Community Care Block Grant.	($2,594,744)	R	($2,594,744)	R
115 Removal of Continuation Increases Adjusts continuation budget to a level at or below FY 2008-09 Authorized Budget.	($255,561)	R	($255,561)	R
116 Eliminate Positions Eliminates positions within the Division of Aging and Adult Services.	($16,025) -1.00	R	($16,025) -1.00	R
117 Eliminate Quality Improvement Consultation Program Eliminates a contract and position that supported a Quality Improvement Program pilot for Adult Care Homes.	($190,204) -1.00	R	($190,204) -1.00	R
118 Eliminate Senior Center Outreach Program Eliminates funding for the Senior Center Outreach Program, previously allocated to the 17 Area Agencies on Aging to promote the use of services available through senior centers.	($100,000)	R	($100,000)	R
119 Operating Reductions Continues Governor's reduction on travel, supplies, printing, and other operating expenses.	($90,466)	R	($90,466)	R
120 Replace Home and Community Care Block Grant Funds Replace funding for the Home and Community Care Block Grant, which provides funding for in-home and community-based services for seniors. The $2,768,783 reduction in State appropriations will be offset by federal recovery funds for senior nutrition services.	($2,768,783)	NR		

	FY 09-10		FY 10-11	
121 Senior Community Service Employment The Senior Community Service Employment Program (SCSEP) places economically disadvantaged individuals 55 years of age and older with an income at or below 125% of the federal poverty level into part-time community service programs while transitioning clients into unsubsidized employment. Currently, five Area Agencies on Aging provide employment services in 25 counties. $621,560 in federal recovery funds will be available to support the program. Twenty percent of funds must be spent in the current year. The remaining funds ($497,248) and the required local match ($55,250) are budgeted as receipt-supported activities.				
(11.0) Division of Medical Assistance				
122 Reduce Community Support Services Reduces community support services in the first year, to begin phasing out service completely in the second year. Retains 25% of funding in second year to account for EPSDT services.	($59,772,501)	R	($116,530,001)	R
123 Contract Adjustments Reduces various administrative contracts.	($1,594,749)	R	($1,594,749)	R
124 Eliminate MH Residential Services - Therapeutic Camps Eliminates funding for therapeutic camps for developmentally disabled, an optional Medicaid service.	($1,573,100)	R	($1,893,125)	R
125 Mandate Use of Web-based PASARR Mandates the use of the web-based PASARR screening for mental health issues for nursing facilities and adult care homes.	($350,000)	R	($350,000)	R
126 Single Source Durable Medical Equipment (DME) Reduces appropriations for DME by purchasing in bulk from a single source.	($3,509,312)	R	($3,563,857)	R
127 Dental Policy Adjustments Reduces appropriations to account for dental policy changes on sealants and imaging.	($3,689,582)	R	($3,746,930)	R
128 Mandate EFT Payments Reduces appropriations by mandating payment of claims by electronic fund transfers.	($1,200,000)	R	($1,200,000)	R
129 Reduce PT/OT/ST Reduces physical therapy, occupational therapy, and speech therapy coverage, an optional service in Medicaid.	($2,735,850)	R	($3,566,855)	R
130 Removal of Continuation Increases Adjusts continuation budget to a level at or below FY 2008-09 Authorized Budget.	($490,712,278)	R	($749,573,567)	R
131 Projected Medicaid Growth Adjusts continuation budget to allow for caseload growth.	$115,000,000	R	$215,000,000	R

	FY 09-10		FY 10-11	
132 Emergency Room Copayment for Nonemergency Visits Establishes a $50 copayment for nonemergency visits to emergency departments.	($2,975,070)	R	($3,945,037)	R
133 Institute Nursing Home Rate Reduction Institutes an additional rate reduction for nursing homes.	($9,195,114)	R	($9,776,920)	R
134 Freeze CAP Slots Freezes Community Alternative Programs slots for disabled adults and people with mental retardation and developmental disabilities.	($14,646,956)	R	($15,274,842)	R
135 Quarterly Printing of Medicaid ID cards Reduces appropriations by printing Medicaid identification cards on a quarterly basis instead of monthly.	($1,750,000)	R	($1,750,000)	R
136 Consolidate Case Management Services Reduces appropriations by consolidating case management services throughout the Medicaid program.	($53,730,905)	R	($85,463,000)	R
137 Imaging Contract Reduces appropriations for labs and imaging by utilizing a vendor to contain costs.	($6,759,375)	R	($8,237,322)	R
138 4% Rate Reductions Reduces rates by 4% across Medicaid providers and services.	($91,386,009)	R	($116,517,162)	R
139 Reduce Group Homes Reduces funding for High Risk Intervention Level III and IV group homes.	($31,721,919)	R	($38,175,309)	R
140 Reimbursement for Prescription Drugs Changes reimbursement for prescription drugs from Average Wholesale Price (AWP) - 10% to Wholesale Acquisition Cost (WAC) + 7%.	($10,457,042)	R	($13,942,723)	R
141 Increase CCNC Savings Reduces appropriations through case management by Community Care of North Carolina.	($82,205,042)	R	($98,501,004)	R
142 Mandate Electronic Claims Filing Reduces appropriations by mandating that providers billing Medicaid file claims electronically.	($472,500)	R	($472,500)	R
143 Dental Coverage Reduces dental benefits for adults, an optional service in Medicaid.	($7,500,000)	R	($7,500,000)	R
144 Reduce Hospice Services Reduces funding for hospice services, an optional service in Medicaid.	($5,000,000)	R	($5,000,000)	R

	FY 09-10		FY 10-11	
145 Eliminate Positions Eliminates positions within the Division of Medical Assistance.	($559,031) -15.00	R	($559,031) -15.00	R
146 Reduce Prescription Drug Costs Reduces prescription drug expenditures by employing the following actions: enhancing utilization management of the Prescription Advantage List (PAL), increasing utilization of generic drugs in place of brand name drugs, and increasing rebate collections on generic drugs. If sufficient savings are not realized by these actions, the department shall implement a preferred drug list for all drug classes in the Medicaid program. Generic drugs and brandname drugs that offer supplemental rebates will be included.	($25,791,264)	R	($30,214,013)	R
147 Enhance Third Party Liability Recoveries and Cost Avoidance Reduces medical assistance payments by increasing payment by third parties and increasing cost avoidance through better utilization of technology and other Medicaid cost-containment activities.	($20,000,000)	R	($20,000,000)	R
148 Implement False Claims Act Increases the amount North Carolina can retain from fraud and abuse recoveries by implementing provisions that meet federal False Claims Act standards. The 10% bonus is expected to generate about $2.4 million annually. Of the amount collected, $176,068 will be used to support 5 positions at the Attorney General's Office to implement the act. Net collections will be offset by a reduction to State appropriations.			($2,229,757)	R
149 Modify Personal Care Services Benefits Reduces personal care services benefits to reduce overutilization of services. Effective October 1, 2009.	($49,341,460)	R	($62,326,055)	R
150 Eliminate HIV Case Management Eliminates funds for HIV case management services.	($1,671,299)	R	($2,111,115)	R
151 Eliminates Funding for CCNC-Health Choice Eliminates the per member/per month payment to the Community Care of North Carolina networks associated with Health Choice enrollees.	($900,000)	R	($900,000)	R
152 Reduction in Medical Assistance Payments Reduces Medical Assistance payments to be offset by federal recovery funds.	($741,263,762)	NR	($340,292,402)	NR
(12.0) Division of Health Service Regulation				
153 Hospice Facilities Annual Fee Establishes an annual fee for hospice facilities.	($79,200)	R	($79,200)	R

	FY 09-10		FY 10-11	
154 Eliminate Positions Eliminates positions within the Division of Health Service Regulation.	($444,518) -7.00	R	($444,518) -7.00	R
155 Operating Freeze Continues freeze on operating expenses from the FY 2008-09 budget (Other Operating - 2xxx-5xxx, Fund 1311 Rent/Lease-Bldg/Office).	($466,688)	R	($466,688)	R
156 Increase Fees for License Renewals Increases licensing fees to health care facilities regulated by the division and reduces State appropriation in a similar amount. The cost of administering the licensure program is shared with facilities.	($1,093,788)	R	($1,093,788)	R
157 Eliminate Two Vacant Positions in Medical Facilities Construction Eliminates two vacant positions in the Medical Facilities Construction Section, which review construction plans, make on-site inspections, and provide consultation to ensure compliance with federal and State standards. The reduction will reduce the number of section staff to 63 FTEs.	($164,640) -2.00	R	($164,640) -2.00	R
158 Charge Fee for Initial Facility License Reduces State appropriations by amount generated by initial facility license fees for new facilities. Fees would apply to adult care homes, hospitals, home care, nursing homes, and mental health facilities.	($29,202)	R	($29,202)	R
Total Legislative Changes	**($1,182,179,998)** **($799,164,941)**	R NR	**($1,533,105,798)** **($353,455,147)**	R NR
Total Position Changes	-754.54		-754.54	
Revised Budget	**$3,555,000,000**		**$3,920,000,000**	

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 458

AMENDMENT NO. _____
(to be filled in by
Principal Clerk)

H458-AMG-3 [v.1]

Comm. Sub. [YES]
Amends Title [NO]
Second Edition

Date _____ ,2009

Representative Farmer-Butterfield

moves to amend the bill on page 2, lines 38-43
by rewriting the lines to read as follows:
"The Department may develop an application to the Centers for Medicare and Medicaid services for additional Medicaid waivers for Tiers 2 and 3 of CAP/MR-DD program. The Department shall not submit the application until after it has submitted the Plan required under this subdivision. Nothing in this subdivision obligates the General Assembly to appropriate additional funds for the CAP-MR/DD waiver.".

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

MINUTES
Appropriations Subcommittee on
Health and Human Services

June 2, 2009

The Appropriations Subcommittee on Health and Human Services met in Room 643 on June 2, 2009. Representative Bob England presided and called the meeting to order at 8:30 a.m. Chairman England then welcomed all members and visitors and introduced the Pages and Sergeant at Arms who would be assisting with the meeting.

The following members were present; Chairs: Representatives Earle and Insko, and Vice Chair: Representative Barnhart. Members: Representatives Brisson, Burr, Burris-Floyd, Dollar, Neumann, and Stewart.

Chairman England then recognized members of the General Assembly staff to present the revised proposed money report to the Committee. Lisa Hollowell, Melanie Bush, Lee Dixon, and Bryce Ball presented the Legislative changes for each of the Divisions within the Department of Health and Human Services. Following the presentations, Chairman England recognized members of the Committee for questions of staff.

After these discussions, Chairman England thanked the Committee members for their attendance and adjourned the meeting at 9:50 a.m. A copy of the presentation is attached to these minutes.

Representative Bob England, MD
Chairman

Lisa W. Brown
Committee Assistant

ATTENDANCE

Appropriations Subcommittee on Health and Human Services

DATES	6-2-2009													
Rep. Beverly Earle, Chair	X													
Rep. Bob England, Chair	X													
Rep. Verla Insko, Chair	X													
Rep. Jeff Barnhart, Vice Chair	X													
Rep. Farmer-Butterfield, Vice Chair														
Rep. William Brisson	X													
Rep. Justin Burr	X													
Rep. Pearl Burris-Floyd	X													
Rep. Nelson Dollar	X													
Rep. Wil Neumann	X													
Rep. Randy Stewart	X													
Sen. William Purcell, Chair														
Sen. Doug Berger, Chair														
Sen. Charlie Dannelly														
Sen. Martin Nesbitt														
Sen. Harris Blake														
Sen. Debbie Clary														
Sen. James Forrester														
Staff														
Lisa Hollowell, Team Leader	X													
Melanie Bush	X													
Lee Dixon	X													
Bryce Ball	X													

Rep. Beverly Earle
Rep. Verla Insko
Rep. Bob England
Rep. Jeffrey Barnhart
Rep. Jean Farmer-Butterfield
Rep. William Brisson
Rep. Justin Burr
Rep. Pearl Burris-Floyd
Rep. Nelson Dollar
Rep. Wil Neumann
Rep. Randy Stewart

HOUSE APPROPRIATIONS SUBCOMMITTEE FOR HEALTH AND HUMAN SERVICES

AGENDA

June 2, 2009
8:30AM
Room 643, LOB

Chairs

Representative Beverly Earle
Representative Verla Insko
Representative Bob England

Proposed Money Report ****REVISED**** **Staff**

VISITOR REGISTRATION SHEET

APP Health + Human Serv — 6/2/09

Name of Committee — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Paige Black	NC Child Welfare Education Collaborative
Tony FRASCA	Broughton State Hospital
Vicki Smith	Disability Rights NC
Vincent STEPHENS	CMS
Sally Cameron	NC Psychological.
[illegible]	R Ind & Assoc
[illegible]	NHA
TERESA CARTER	N.C. Provider Council, NuDyCM
[illegible]	American Cancer Society
FERREL Guillory	UNC Chapel Hill -
C. Hawkins	NCCAR

VISITOR REGISTRATION SHEET

6-2-09

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Alexandra Fetissoff	AHHC
TRACY COLVARD	AHHC
Steve Smith	AHHC member
Ardis Watkins	SEANC
Suzanne Basley	SEANC
Alex Denton	Peer Bridges of Pat
Chris McLamb	Raleigh
John McMillan	NFOA?
Mark Ezzell	HWTF
Pam Kilpatrick	OSBM
Ken Melton	KMA

VISITOR REGISTRATION SHEET

6-02-09

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Rebecca Trask	NCACC
Amy McConkey	Smith Anderson
Wayne Williams	OSBM
Hilbert Tilson	NCHA
Jamal Jones	NCHFA
David Boaz	NWC
Harry Kaplan	NWC
Michelle Frazier	MFTS
Kristi Hutt	NCHCFA
Meg Betts	BARP-NC
BRAD ACCOM	NC SENIOR GAMES

VISITOR REGISTRATION SHEET

6-2-09

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
J Hoffmann	OSBM
K Burress	" "
Julia Leggett	The Arc of NC
Melvin Lee	OSBM
Patrick Yancey	APPCNC
TY DEXTER	TROSA
Jon Carr	Jordan Price
[illegible]	NMC
Brian Balfour	Civitas
JACK REGISTER	NC ASSOC OF Social Workers
Dan Beeker	NCNASW

VISITOR REGISTRATION SHEET

6-2-09

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Mary Miller	Parent 4863 Lake Wilson Rd Elm City 27822
TINA GORDON	NC Nurses Assoc.
Barbara Canales	BSCBK
John Bowdish	AstraZeneca
Karen Gillespie	Bristol-Myers Squibb
Patti Bufkin	NMPA
Lyn Wiles	NCARTCF
LaCoRoy Mann	NC DSA
Jim Hawley	NC Food Banks
Allen Hawks	NC Public Health
Daniel Baum	K+L GATES

VISITOR REGISTRATION SHEET

6-2-09

Name of Committee | Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
[signature]	NMSS-NC
[signature]	CSA
Chris Fitzsim	NC Psych Hosp
[signature]	APPCNC
Jolee Faison	NASW-NC

VISITOR REGISTRATION SHEET

Aff Health & Human Services — 6/2/09

Name of Committee — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Bill Rustad	ACP
Heidi Chapman	Heidi G. Chapman, PLLC Chapel Hill
ANN LOVE	DUKE
Lauren Whaley	NC Credit Union League
DAVID BARNES	Poyner Spruill
Scott Badesch	Action Society of NC
Maureen Morell	Action Society of NC
[illegible]	MHM Servs - ATHOS
Jaime Marcum	Eastern Carolina Case Mgmt., Greenville NC
ALISON DAVIS	PARENT
Dan Zorn	Families Together, Inc. - Asheville, NC
Jud Wallace	Eastern Seals UCP NC
Meg Dunn	NAMI NC

VISITOR REGISTRATION SHEET

6/2/09

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
D.M. Collins	Duke,
Joyce Baffi	NC Partnership for Children
Fred Bone	Bone & Asso.
Victoria Hawkins	Bone & Assoc.
Donna Ramsey	NC Child Health Systems
Roz Savitt	NC Child Care Coalition
S Fayyad	Smart Start
G Payne	MWC
Charitta Deloatch	NC Child Welfare Collaborative UNC Chapel Hill MSW/MPA Student
WANDA Reives	UNC - Chapel Hill Child Welfare Education Collaborative
Evelyn Williams	NC Child Welfare Education Collaborative

VISITOR REGISTRATION SHEET

6/2/09

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Selena Childs	Child Welfare Education Collaborative
Carol Brockett	NCSBA
Susan Harrison	WCPSS
[illegible]	[illegible]
[illegible]	Council of Court Programs
[illegible]	NCPC
TAD CLODFELTER	SOUTHLIGHT, INC / SA Federation
[illegible]	[illegible]
Robin Huffman	NC Psychiatric Assoc / Coalition NC
[illegible]	Covenant w/ NC's Children
Tracy Kimbrell	Parker Poe

VISITOR REGISTRATION SHEET

6/2/09

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Minister Earnestine (Imam) Muhammad	N.C. State Senate Candidate (Farrakhan)
JANET KANODE	NASW-NC
Linda Atack	NASW-NC
Betsy Lutz	American Heart Assn
Kay Parsay	NASW-NC

House Pages

Name of Committee: Health & Human Services Date: 6/2/09

1. Name: Catherine Strickland
   County: Sampson
   Sponsor: Bell
2. Name: Rogers Clark
   County: Bladen
   Sponsor: Brisson
3. Name: Evan Haire
   County: Lime, NH
   Sponsor: Phil Haire
4. Name: Zack Mountcastle
   County: Dekalb (GA)
   Sponsor: Alice Bordsen
5. Name:
   County:
   Sponsor:

Sgt-At-Arms

1. Name: Trey Raley Martha St. Hadson
2. Name: Tom Wilder
3. Name: Young Bae

The Medicaid budget is complicated, and is made more so this year by the economic situation and factoring in the enhanced FMAP provided by the American Recovery and Reinvestment Act.

The need for the HHS Subcommittee to reduce the DHHS budget by an additional $265 million was due to the State assuming the counties' share of Medicaid costs. This next year is the first year in which our counties will pay nothing for Medicaid services. Using FY 2008-09 as our base budget masked the additional appropriations we need to cover the reduced county share.

Additionally, growth in the Medicaid budget must be assumed as North Carolinians continue to lose their jobs or have their paychecks reduced. In accommodating this reduction, as it did in its initial reductions to the DHHS budget, the Subcommittee is cognizant of its task of trying to provide direct health and human services to the state's most vulnerable citizens, while concurrently managing the reduced State revenues of this economic crisis.

House Appropriations Subcommittee for Health and Human Services Proposed Money Report FY2009-11

REVISED

June 2, 2009

Health and Human Services

	GENERAL FUND			
	FY 09-10		FY 10-11	
Recommended Budget	**$5,536,344,939**		**$5,806,560,945**	
Legislative Changes				
(1.0) Division of Child Development				
1 Adjust Continuation Budget Adjusts continuation budget to a level at or below FY 2008-09 Authorized Budget.	($62,462)	R	($75,601)	R
2 Eliminate Positions Eliminates positions within the Division of Child Development.	($87,375) -3.00	R	($87,375) -3.00	R
3 Reduce Operating Expenses Reduces operating expenses within the central management of Division of Child Development.	($20,000)	R	($20,000)	R
4 Contracts Eliminates funds to administer the testing-out of coursework allowed for lead child care teachers. As of July 2008, lead child care teachers may no longer test out of coursework; therefore, these funds are not needed. Reduces a contract for Seat Management.	($131,554)	R	($131,554)	R
R **5 Child Care Subsidy Rate Reduction** Reduces the rate for funds paid to child care centers for subsidy recipients. This reduction represents a 5% rate reduction. These funds are state appropriations within the Division of Child Development and appropriated to North Carolina Partnership for Children.	($3,977,578)	R	($3,977,578)	R
R **6 Child Care Subsidies** Reduces child care subsidies.	($16,642,440)	R	($16,642,440)	R
7 Replace State Funds for Child Care Subsidy Replaces State funding for child care subsidy with one-time Temporary Assistance for Needy Families Block Grant (TANF) contingency funds for FY2009-10.	($12,452,484)	NR		
8 Increase Fees for Child Care Centers and Charge a Fee for Child Care Homes Increases the existing child care licensure fees by 50% and reduces the State appropriations within the Division of Child Development. Imposes a new fee for child care homes equal to the amount that the smallest centers are required to pay.	($602,385)	R	($602,385)	R

	FY 09-10		FY 10-11	
9 Federal Recovery Funds for Child Care Subsidy Increases funds for child care subsidy to reduce the waiting list as allowed by the Federal Recovery Act by $53,993,329. Increases funds for quality initiations, as allowed by the Federal Recover Act by $11,519,144. Increases funds to local governments for the administration of the child care subsidy program by $2,030,661.				
R **10 Reduce Smart Start Funding** Reduces funds for the North Carolina Partnership for Children.	($25,000,000)	R	($25,000,000)	R
11 Replace State Funding for TEACH Program Replaces State funds for the TEACH Program with federal receipts for two years.	($3,800,000)	NR	($3,800,000)	NR
(2.0) Division of Mental Health, Developmental Disabilities, and Substance Abuse Services				
12 Adjust Continuation Budget Adjusts continuation budget to a level at or below FY 2008-09 Authorized Budget.	($74,408,533)	R	($91,641,479)	R
13 Contracts Reduces state funds in contracts within the Division managed by central management.	($1,900,000)	R	($1,900,000)	R
14 Eliminate Positions Eliminates positions within the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services.	($12,858,290) -350.00	R	($12,858,290) -350.00	R
R **15 Local Management Entities System Management Funds** Reduces funds for administration of Local Management Entities.	($7,042,440)	R	($8,521,283)	R
R **16 Local Management Entities' Fund Balances** Reduces service funds to Local Management Entities' with fund balances by $50 million in each year of the biennium on a non-recurring basis. The LME's are required to spend their fund balances on services and not to reduce services. The Division of Mental Health, Developmental Disabilities, and Substance Abuse Services is required to approve all expenditures of LME fund balances.	($50,000,000)	NR	($50,000,000)	NR
17 CAP/MR-DD Reduction in State Supplemental Funds Reduces service funding for supplemental state-funded services provided to CAP/MR-DD patients. Services will still be allowed for room and boarding.	($16,000,000)	R	($16,000,000)	R
18 Close Bed Units at Broughton and Cherry Hospitals Eliminates funds for two 25 bed units at Broughton and Cherry Hospitals. Provides $6 million for contracts for local hospital bed capacity for mental health services.	-102.00		-102.00	

	FY 09-10		FY 10-11	
R **19 Federal Funds Payback for Broughton Hospital** Reduces State funds due to a pay-back of federal funds expected from Centers for Medicare & Medicaid Services. An Administrative Law Judge ruled that Broughton Hospital should not have been decertified in August 2007 and that federal funding should not have been withheld. This payback of funds will replace State funds within the DMHDDSAS budget.	($12,000,000)	NR		
20 Non-Core State Operated Services Reduces funds for non-core mission state operated services.	($4,500,000)	R	($4,500,000)	R
21 Non-Core Community Services Reduces funds for non-core community services provided through local programs.	($4,017,219)	R	($4,017,219)	R
22 Operating Expenses Reduces funds within operating accounts within the division's central office by $250,000. Reduces funds at the maintenance facilities by $1,000,000.	($1,250,000)	R	($1,250,000)	R
23 Increase Patient Receipts at Alcohol, Drug Abuse Treatment Centers Reduces State funds at the ADATCs in anticipation of additional patient revenues collected. This is due to the increased bed capacity available at the ADATCs.	($662,867)	R	($1,127,895)	R
24 State Funded Services Reduces funds for state-funded services provided through Local Management Entities.	($50,000,000)	R	($50,000,000)	R
25 State Operated Services Purchasing/Financial Savings Reduces funds due to savings to be achieved from bulk purchasing among state-owned facilities within the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services.	($2,000,000)	R	($2,000,000)	R
26 Direct Payments to Providers Reduces state funding for Local Management Entities administrative funding. The reduction represents the total funding paid for Claims Processing. The Division of Mental Health, Developmental Disabilities, and Substance Abuse Services will begin paying providers directly alleviating LME's of claims processing responsibility.	($7,100,000)	R	($7,100,000)	R
(3.0) Division of Public Health				
27 Adjust Continuation Budget Eliminates the inflationary increases built into the SFY 2008/09 Continuation Budget.	($8,670,368)	R	($11,860,655)	R
28 Reduce Operating Budgets Reduces operating budgets within three branches of the Division of Public Health.	($348,363)	R	($348,363)	R

	FY 09-10		FY 10-11	
29 Eliminate Positions within Division of Public Health Eliminates positions with the Division of Public Health, including those positions associated with the Purchase of Medical Care Services program.	($2,405,121) -59.00	R	($2,405,121) -59.00	R
30 Reduce AIDS Drug Assistance Program Reduces State funds used to purchase pharmaceuticals. Pharmaceuticals from the "drug reserve" inventory will be used.	($3,074,119)	NR	($3,074,119)	NR
31 Vital Records Fee Increase Reduces State funds by allowing Vital Records operation to become receipt-supported. Fee charged for copy of vital records increased from $15 to $24 per copy. Fee charged for expedited out-of-state service increased by $5.	($1,226,403)	R	($1,226,403)	R
32 Reduce Funds for Public Health Incubator Program Reduces State funds for Local Health Services Incubator Grant program.	($950,000)	R	($950,000)	R
33 Shift Positions to Receipt Support Replaces State appropriation with federal WIC funds for public health and regional consultants.	($70,541)	R	($70,541)	R
34 Replace State Funds with Federal ARRA Funds for Early Intervention Replaces State appropriations with American Recovery and Reinvestment Act Funds for the Early Intervention/Infant and Toddler Program.	($4,000,000)	NR	($4,000,000)	NR
35 Replace State Funds with Federal Receipts Replaces State appropriations with Maternal Child Health Block Grant and Medicaid administration funds for several maternal, infant, and child programs.	($1,191,155)	R	($1,191,155)	R
36 Eliminate Positions and Reduce Funding for CDSA Program Eliminates nine vacant positions and reduces funding for Children's Developmental Service Agencies (CDSAs).	($540,054)	R	($540,054)	R
37 Reduce Funding for Accreditation of Local Health Departments Suspends for two years the Division of Public Health's evaluation and accreditation of Local Health Departments (LHDs).	($700,000)	NR	($700,000)	NR
38 Eliminate Funding for Tick-Borne Disease Program Eliminates the Division of Public Health's funding of the Tick-Borne Disease Program in the Division of Environmental and Natural Resources.	($139,802)	R	($139,802)	R
39 Eliminate Kidney Disease Purchase of Medical Care Program Eliminates the Kidney Disease Purchase of Medical Care Program that provides up to $300 for persons with annual incomes up to 100% FPL. Persons with End-Stage Renal Disease are eligible for health care services through Medicare. The program was suspended in January 2009.	($160,000)	R	($160,000)	R

	FY 09-10		FY 10-11	
40 Eliminate Epilepsy Purchase of Medical Care Program Eliminates the Epilepsy Purchase of Medical Care Program that serves a minimum number of persons who have annual incomes up to 100% FPL. The program was suspended in January 2009.	($202,000)	R	($202,000)	R
41 Eliminate Adult Cystic Fibrosis Program Eliminates the Adult Cystic Fibrosis Purchase of Medical Care program which serves a minimum number of persons. The program was suspended in January 2009.	($175,000)	R	($175,000)	R
42 Eliminate Funding for the Early Hearing Program Eliminates the Early Hearing Purchase of Medical Care Program that provides hearing devices for infants prior to their being found eligible for the Early Intervention Program. The program was suspended in January 2009.	($30,000)	R	($30,000)	R
43 Eliminate Funding for Cancer Purchase of Medical Care Program Eliminates the Cancer Purchase of Medical Care Program that provides less than comprehensive services to persons with annual incomes of under 100% FPL. The program was suspended in January 2009.	($2,531,934)	R	($2,531,934)	R
44 Replaces Funding for Medically Fragile Children Program Replaces State funds with federal TANF Block Grant and Social Services Block Grant funds for the daycare program for medically fragile children in Wake County. TANF and SSBG provide $360,000 in funding for this program.	($70,000)	R	($70,000)	R
45 Replace State Funds with Federal Receipts from Ryan White Funds Replace State appropriations with Federal Ryan White funds for Duke University HIV/STD Pediatric Services Program.	($209,503)	R	($209,503)	R
46 Eliminate Funding for Second Dose Chicken Pox Vaccine Eliminates funding for the second dose of Varicella vaccine. The second dose is recommended, but not required for children born after April 2001. The second dose is not required by the Universal Vaccine Program	($1,223,027)	R	($1,223,027)	R
47 Replace State Funds with ARRA Funds for Childhood Immunization Replaces State appropriations with American Recovery and Reinvestment Act funds $5,153,105 for one year to purchase of vaccines for children.	($5,153,105)	NR		
48 Replace State Funds with Third Party Receipts for Immunization The Department of Health and Human Services will seek third party reimbursement for child and adult immunizations.	($4,000,000)	R	($4,000,000)	R

	FY 09-10		FY 10-11	
49 Eliminate the Healthy Carolinians Program Eliminates the Healthy Carolinians/Health Education program that establishes multi-agency partnerships at the community level to plan projects guided by the NC 2010 health objectives.	($995,529) -1.00	R	($995,529) -1.00	R
50 Eliminate Oral Health Program Eliminates the Oral Health Program that conducts dental assessments in elementary schools; provides dental education services in community settings; provides instruction on prevention measures to staff at pre-schools, and transfers $250,000 to Local Health Departments to administer the Fluoride Rinse Program.	($4,235,523) -74.00	R	($4,235,523) -74.00	R
51 Reduces Funding for Office of Chief Medical Examiner Reduces state appropriations for the Office of Chief Medical Examiner to a level consistent with SFY 2008-09.	($80,000)	R	($80,000)	R
52 Reduce Division of Public Health Contract Funds Reduces state appropriations for Division of Public Health to eliminate or reduce contracts that either: -Do not meet the Division's core mission; -Do not provide a direct service; -Have had unobligated funds in the past; -Will be funded by Health & Wellness Trust Fund; or -Have not met the goals or deliverables in the contract.	($10,500,000)	R	($10,500,000)	R
(4.0) NC Health Choice				
53 Eliminate Inflationary Increase Eliminates the inflation increase the in the Per Member/Per Month premium cost for Health Choice.	($7,076,746)	R	($7,076,746)	R
54 Reduce Operating Expense Reduces various operating accounts that historically have unobligated funds.	($23,645)	R	($23,645)	R
55 Establish/Increase Emergency Room Co-payments for Non-emergency Visits Reduces State funding by establishing a $50 co-payment for non-emergency visits for families with children enrolled in Health Choice.	($382,665)	R	($482,728)	R
56 Increase Co-Payments for Prescription Drugs Reduces State funding by increasing co-payments for prescription drugs: $5 for Generic Drugs; $5 for Brand Name Drugs without Generic Equivalent; $5 for Brand Name Drugs for families at or below 150% federal poverty level (FPL); and $10 for families above 151% FPL.	($750,000)	R	($750,000)	R
57 Health Choice Enrollment Freeze Freeze enrollment in Health Choice as of June 30, 2009. Maintains enrollment at 129,694 children during SFY 2009-10.	($2,542,557)	R	($2,542,557)	R

	FY 09-10		FY 10-11	
(5.0) Division of Central Management and Support				
58 Adjust Continuation Budget Adjusts continuation budget to a level at or below FY 2008-09 Authorized Budget.	($2,326,439)	R	($2,793,542)	R
59 Reduce Physician Loan Repayment Program Reduces state appropriations and the number of contracts awarded by approximately eight.	($210,000)	R	($210,000)	R
60 Reduce Psychiatric Loan Repayment Program Reduces state appropriations and reduces the number of contracts by two from the prior year.	($140,000)	R	($140,000)	R
61 Eliminates Loan Repayment Initiative at State Facilities Eliminates funding that the General Assembly appropriated in the 2008 Session to recruit medical doctors to the State's mental health hospitals. To date, these funds have not been awarded.	($868,519)	R	($868,519)	R
62 Reduce Community Health Grants Reduces funding for the Community Health Grant program by 7%, leaving $1,860,000 recurring. This reduction decreases the number of grants awarded annually by approximately two.	($140,000)	R	($140,000)	R
63 Eliminate Positions Eliminates Central Management and Support positions.	($1,330,221) -25.00	R	($1,330,221) -25.00	R
64 Eliminate Special Appropriations Eliminates appropriations to non-profits, including the Institute of Medicine, Food Runners, Special Olympics, ALS Association, and Action for Children.	($1,275,000)	R	($1,275,000)	R
65 Discontinue CARE-LINE 24/7/365 Operation Eliminates the CARE-LINE third shift.	($128,502) -2.00	R	($128,502) -2.00	R
66 Reduce Rental Subsidy Reduces funds for transfer to the North Carolina Housing Finance Agency to operate the Key Program. Approximately 310 rental units will not be ready for occupancy in FY2009-10.	($1,155,000)	NR		
67 Reduce Operating Budgets Reduces operating budgets within Central Management and Support divisions and offices, including the Secretary's Office, the Administrative Support section, the Controller's Office, and the Office of Rural Health and Community Care.	($349,235)	R	($349,235)	R
68 Medicaid Management Information System (MMIS) Replacement Appropriates prior-year earned revenue of $11,071,502 for FY 2009-10 and $9,820,689 for FY 2010-11 to match federal funds for the MMIS Replacement project. Total receipts of $55,357,510 for FY 2009-10 and $49,103,445 for FY 2010-11 offset anticipated requirements.				

	FY 09-10		FY 10-11	
69 Federal Recovery Funds for Weatherization Assistance Appropriates $131,954,536 of Federal Recovery funds for weatherization assistance to low-income North Carolinians.				
(6.0) Division of Social Services				
70 Adjust Continuation Budget Adjusts continuation budget to a level at or below FY 2008-09 Authorized Budget.	($16,057,583)	R	($14,101,113)	R
71 Eliminate Positions Eliminates positions within the Division of Social Services.	($694,570) -30.00	R	($694,570) -30.00	R
72 Reduce Operating and Contracts Budgets Reduces operating and contracts budgets across all sections of the Division of Social Services.	($1,774,570)	R	($1,774,570)	R
73 Work First Cash Assistance Funding Replaces State funds for Work First cash assistance payments with federal TANF Block Grant funds.	($7,178,459)	R	($7,178,459)	R
74 Electing Counties Work First State Funds Replaces State funds with federal TANF Contingency funds for Work First cash assistance payments and Work First county block grants for Electing Counties.	($2,378,213)	NR		
75 Reduce Funds for Child Advocacy Centers Reduces funding for the twenty-one (21) accredited child advocacy centers statewide. During its 2008 Session, the General Assembly increased recurring state appropriations by $350,000. This reduction leaves $460,000 in total funding.	($115,000)	R	($115,000)	R
76 Reduce Funds for Family Resource Centers Reduces state appropriations for Family Resource Centers.	($200,000)	R	($200,000)	R
77 Replace State Funds for Maternity Home Services Replaces state funding for Maternity Home Services with federal TANF Block Grant funds. There are fifteen maternity homes in nine counties providing services to approximately 190 women.	($105,002)	R	($105,002)	R
78 Reduce Funds for NC Reach Temporarily suspends state funding for NC Reach post-secondary scholarships in FY2009-10, and reduces recurring funding. $3,168,250 is appropriated from the Escheat Fund in each year to continue funding for scholarships.	($1,500,000) ($1,668,250)	R NR	($1,500,000)	R
79 Recovery Funds for Foster Care and Adoption Assistance Reduces state appropriations to reflect enhanced federal participation for Title IV-E adoption and foster care assistance payments, effective through December 31, 2010.	($2,203,516)	NR	($1,126,866)	NR

	FY 09-10		FY 10-11	
80 Federal Recovery Funds for Child Support Enforcement Reduces state appropriations and budgets federal funds to reflect the temporary reinstatement of federal matching of child support incentive funds.	($2,214,542)	NR		
81 Reduce State Funding for Child Welfare Collaborative Maintains state funding to support the sixty-eight (68) current Child Welfare Collaborative students. The Collaborative provides financial, educational, and employment support for selected social work students.	($96,246)	R	($96,246)	R
82 Budget Over-realized Receipts Budgets over-realized Child Support Enforcement receipts.	($600,000)	R	($600,000)	R
83 Reduce State Aid to Counties Reduces state funding to support costs associated with county administration of public assistance programs.	($5,473,985)	R	($5,473,985)	R
84 Eliminate Funding for Child Support Offices Eliminates state funding for the sixteen state-operated child support offices, and requires the twenty-eight (28) counties served by these offices to fund their operation.			($4,082,811)	R
85 Reduce State/County Special Assistance Rates Effective October 1, 2009, retracts the state/county special assistance rate increase made effective January 1, 2009, and holds disenfranchised recipients harmless for the change in the standard of need.	($3,286,280)	R	($4,381,707)	R
86 Decrease Foster Care & Adoption Assistance Rates Retracts the standard board rate increases approved by the General Assembly in 2008, but retains non-federal participation and county hold harmless provisions effective January 1, 2009.	$1,174,026	NR	($1,122,638)	R
(7.0) Office of Education Services				
87 Adjust Continuation Budget Adjusts continuation budget to a level at or below FY 2008-09 Authorized Budget.	($471,414)	R	($523,322)	R
88 Reduce Operating Budget Reduces operating and contract budgets office-wide.	($1,661,090)	R	($1,661,090)	R
89 Eliminate Positions Eliminates five (5) vacant positions at the North Carolina Schools for the Deaf (NCSD), eleven (11) positions at Eastern North Carolina School for the Deaf (ENCSD), fourteen (14) at Governor Morehead School for the Blind (GMS), and two (2) at Governor Morehead Preschool.	($1,350,212) -32.00	R	($1,350,212) -32.00	R

	FY 09-10		FY 10-11	
90 Eliminate Governor Morehead School Short-Term Outreach Program Eliminates the Short Term Outreach program, which provides weekly camps for approximately 70 children annually to develop orientation and mobility, money-handling, and other skills.	($151,679) -3.00	R	($151,679) -3.00	R
91 Reduce Family Resource Center Funds Reduces funds for the Beginnings for Parents of Hearing Impaired Children contract.	($229,151)	R	($229,151)	R
92 Transfer from OES Trust Fund Reduces state appropriations and transfers available cash balance from various funds within budget code 64424 to support school operations.	($175,321)	NR		
93 Reduce Funding for Residential Schools Reduces funding for the North Carolina School for the Deaf, Eastern North Carolina School for the Deaf, and Governor Morehead School for the Blind.	($1,500,000)	R	($1,500,000)	R
(8.0) Divisions of Services for the Blind and Services for the Deaf and Hard of Hearing				
94 Adjust Continuation Budget Adjusts continuation budget to a level at or below FY 2008-09 Authorized Budget.	($181,228)	R	($240,170)	R
95 Eliminate Positions Eliminates positions within the Divisions of Services for the Blind and Services for the Deaf and Hard of Hearing.	($130,777) -5.00	R	($130,777) -5.00	R
96 Reduce Operating Budget Reduces operating budgets division-wide.	($107,712)	R	($107,712)	R
97 Replace State Funds with Federal Receipts Budgets Basic Support Vocational Rehabilitation Grant funds and reduces state appropriations.	($150,000)	R	($150,000)	R
98 Transfer from Telecommunications Relay Trust Fund Transfers $7,000,000 of available cash balance from the Telecommunication Relay Trust fund, budget code 67425, to support General Fund appropriations.	($7,000,000)	NR		
99 Replace State Funds with Federal Recovery Funds Reduces state funds for the older blind individuals program and budgets federal recovery funds for vocational rehabilitation services ($2,974,779) and the older blind individuals independent living program ($1,042,363).	($260,590)	NR	($260,590)	NR
(9.0) Division of Vocational Rehabilitation				
100 Adjust Continuation Budget Adjusts continuation budget to a level at or below FY 2008-09 Authorized Budget.	($1,181,339)	R	($1,511,633)	R

	FY 09-10		FY 10-11	
101 Eliminate Positions Eliminates positions within the Division of Vocational Rehabilitation.	($329,960) -5.00	R	($329,960) -5.00	R
102 Reduce Basic Support Case Services Reduces State appropriations for non-medical consumer purchases.	($3,612,025)	R	($3,612,025)	R
103 Reduce Funds for Independent Living Reduces state appropriations for independent living services.	($1,500,000)	R	($1,500,000)	R
104 Service Rate Adjustment Reduces vocational rehabilitation and independent living provider reimbursement rates by 5.5% for FY2009-10 and 6% for FY2010-11.	($155,619)	R	($169,766)	R
105 Replace State Funds with Federal Recovery Funds Replaces state funds for the independent living program and budgets anticipated federal recovery funds for vocational rehabilitation services ($15,054,221) and independent living ($402,340).	($201,170)	NR	($201,170)	NR
(10.0) Division of Aging and Adult Services				
106 Adjust Continuation Budget Adjusts continuation budget to a level at or below FY 2008-09 Authorized Budget.	($2,323)	R	($6,382)	R
107 Eliminate Positions Eliminates positions within the Division of Aging and Adult Services.	($16,025) -1.00	R	($16,025) -1.00	R
108 Eliminate Quality Improvement Consultation Program Eliminates a contract and position that supported a Quality Improvement Program pilot for Adult Care Homes.	($190,204) -1.00	R	($190,204) -1.00	R
109 Eliminate Senior Center Outreach Program Eliminates funding for the Senior Center Outreach Program, previously allocated to the 17 Area Agencies on Aging to promote the use of services available through senior centers.	($100,000)	R	($100,000)	R
110 Operating Reductions Continues Governor's reduction on travel, supplies, printing, and other operating expenses.	($90,466)	R	($90,466)	R
111 Reduce Home and Community Care Block Grant Continues reduction taken in current fiscal year in the Home and Community Care Block Grant.	($2,594,744)	R	($2,594,744)	R
112 Replace Home and Community Care Block Grant Funds Replace funding for the Home and Community Care Block Grant, which provides funding for in-home and community-based services for seniors. The $2,768,783 reduction in State appropriations will be offset by federal recovery funds for senior nutrition services.	($1,384,392)	NR		

113 Senior Community Service Employment

The Senior Community Service Employment Program (SCSEP) places economically disadvantaged individuals 55 years of age and older with an income at or below 125% of the federal poverty level into part-time community service programs while transitioning clients into unsubsidized employment. Currently, five Area Agencies on Aging provide employment services in 25 counties. $621,560 in federal recovery funds will be available to support the program. Twenty percent of funds must be spent in the current year. The remaining funds ($497,248) and the required local match ($55,250) are budgeted as receipt-supported activities.

(11.0) Division of Medical Assistance

R **114 Adjust Continuation Budget** ($507,391,540) R ($738,471,757) R

Adjusts continuation budget to a level at or below FY 2008-09 Authorized Budget.

R **115 Projected Medicaid Growth** $147,360,758 R $260,454,571 R

Adjusts continuation budget to allow for caseload growth.

R **116 Phased-out County Share** $254,466,128 R $264,390,307 R

Increases appropriations for Medicaid due to the final phase-out of the county share, effective July 1, 2009.

R **117 End County Participation** ($4,738,858) R ($4,738,858) R

Ends county participation in Medicaid, including any cost settlements or adjustments, as of June 1, 2009.

R **118 Provider Rate Reductions** ($148,393,793) R ($161,884,138) R

Reduces Medicaid provider rates by 5.5% in FY 2010 and 6% in FY 2011. Applies to all public and private providers except for federally qualified health centers, rural health centers, school-based and school linked health centers, State institutions, hospital outpatient, pharmacy, and the non-inflationary components of the case-mix reimbursement system for skilled nursing facilities.

119 Modify Personal Care Services Benefits ($49,341,460) R ($62,326,055) R

Reduces personal care services benefits to reduce overutilization of services. Effective October 1, 2009.

R **120 Reduce Personal Care Services in Adult Care Homes** ($10,000,000) R ($10,000,000) R

Reduces appropriation for personal care services provided in adult care homes.

121 Reduce Community Support Services ($59,772,501) R ($116,530,001) R

Reduces community support services in the first year, to begin phasing out service completely in the second year. Retains 25% of funding in second year to account for EPSDT services.

	FY 09-10		FY 10-11	
R **122 Eliminates PT/OT/ST** Eliminates funding for physical therapy, occupational therapy, and speech therapy, an optional service in Medicaid. Retains 20% of funding for EPSDT services for children.	($15,633,333)	R	($18,760,000)	R
R **123 Reduce Adult Optical** Reduces adult optical services and supplies, an optional service in Medicaid.	($3,201,911)	R	($3,842,293)	R
124 Reduce Group Homes Reduces funding for High Risk Intervention Level III and IV group homes. Retains 35% of funding for transitions to other services.	($31,721,919)	R	($45,109,244)	R
R **125 Implement a Preferred Drug List** Implements a preferred drug list, including atypical antipsychotics. Savings include supplemental rebates.	($40,000,000)	R	($50,000,000)	R
126 Reimbursement for Prescription Drugs Changes reimbursement for prescription drugs from Average Wholesale Price (AWP) - 10% to Wholesale Acquisition Cost (WAC) + 7%.	($10,457,042)	R	($13,942,723)	R
R **127 Reduce Dispensing Fee for Prescription Drugs** Reduces dispensing fee for both brand and generic drugs.	($1,250,595)	R	($1,649,455)	R
R **128 Dental Coverage** Reduces dental benefits for adults, an optional service in Medicaid.	($15,879,224)	R	($20,057,967)	R
R **129 Limit transplants to solid tissue** Limits transplants paid by Medicaid to solid tissue only.	($2,916,667)	R	($3,500,000)	R
R **130 Orthotics and Prosthetics Coverage** Reduces orthotics and prosthetics coverage, an optional service in Medicaid.	($2,267,877)	R	($2,885,284)	R
131 Dental Policy Adjustments Reduces appropriations based on dental policy changes on sealants and imaging.	($3,689,582)	R	($4,427,500)	R
132 Emergency Room Copayment for Nonemergency Visits Establishes a $50 copayment for nonemergency visits to emergency departments.	($2,975,070)	R	($3,945,037)	R
R **133 Increase Copays on Services** Increases copays on Medicaid services by $2.	($3,098,256)	R	($3,717,908)	R
134 Eliminate HIV Case Management Eliminates funds for HIV case management services.	($1,671,299)	R	($2,111,115)	R

	FY 09-10		FY 10-11	
135 Consolidate Case Management Services Reduces appropriations by consolidating case management services throughout the Medicaid program.	($53,730,905)	R	($85,463,000)	R
136 Increase CCNC Savings Reduces appropriations through greater case management by Community Care of North Carolina.	($88,105,041)	R	($96,844,004)	R
137 Imaging Contract Reduces appropriations for labs and imaging by utilizing a vendor to contain costs.	($8,111,250)	R	($8,237,322)	R
138 Institute Nursing Home Rate Reduction Institutes an additional rate reduction for nursing homes.	($9,195,114)	R	($9,776,920)	R
139 Single Source Durable Medical Equipment (DME) Reduces appropriations for DME by purchasing in bulk from a single source.	($3,509,312)	R	($4,211,174)	R
140 Freeze CAP Slots Freezes Community Alternative Programs slots for disabled adults and people with mental retardation and developmental disabilities.	($14,646,956)	R	($15,274,842)	R
141 Reduce Hospice Services Reduces funding for hospice services, an optional service in Medicaid.	($5,000,000)	R	($5,000,000)	R
R **142 Eliminate Reimbursement for Anesthesia Assistants** Eliminates reimbursement for anesthesia assistants in Medicaid.	($55,556)	R	($66,667)	R
143 Eliminate MH Residential Services - Therapeutic Camps Eliminates funding for therapeutic camps for teens with behavioral and substance abuse problems, an optional Medicaid service.	($1,573,100)	R	($2,236,981)	R
144 Mandate Use of Web-based PASARR Mandates the use of the web-based PASARR screening for mental health issues for nursing facilities and adult care homes.	($350,000)	R	($350,000)	R
R **145 Adult Care Homes Special Care Unit Moratorium** Institutes a moratorium on special care unit beds in adult care homes.	($474,231)	R	($597,152)	R
R **146 Establishes Provider Enrollment Fee** Establishes a $100 enrollment fee for Medicaid providers, payable upon initial enrollment and every three years thereafter.	($1,500,000)	R	($1,500,000)	R
147 Contract Adjustments Reduces various administrative contracts.	($1,594,749)	R	($1,594,749)	R

	FY 09-10		FY 10-11	
148 Quarterly Printing of Medicaid ID cards Reduces appropriations by printing Medicaid identification cards on a quarterly basis instead of monthly.	($1,750,000)	R	($1,750,000)	R
149 Mandate EFT Payments Reduces appropriations by mandating payment of claims by electronic fund transfers.	($472,500)	R	($472,500)	R
150 Mandate Electronic Claims Filing Reduces appropriations by mandating that providers billing Medicaid file claims electronically.	($1,200,000)	R	($1,200,000)	R
151 Eliminate Positions Eliminates positions within the Division of Medical Assistance.	($559,031) -15.00	R	($559,031) -15.00	R
152 Enhance Third Party Liability Recoveries and Cost Avoidance Reduces medical assistance payments by increasing payment by third parties and increasing cost avoidance through better utilization of technology and other Medicaid cost-containment activities.	($20,000,000)	R	($20,000,000)	R
153 Implement False Claims Act Increases the amount North Carolina can retain from fraud and abuse recoveries by implementing provisions that meet federal False Claims Act standards. The 10% bonus is expected to generate about $2.4 million annually. Of the amount collected, $176,068 will be used to support 5 positions at the Attorney General's Office to implement the act. Net collections will be offset by a reduction to State appropriations.			($2,229,757)	R
154 Eliminates Funding for CCNC-Health Choice Eliminates the per member/per month payment to the Community Care of North Carolina networks associated with Health Choice enrollees.	($900,000)	R	($900,000)	R
R **155 Reduction in Medical Assistance Payments** Reduces Medical Assistance payments to be offset by federal recovery funds.	($807,007,555)	NR	($465,968,593)	NR
(12.0) Division of Health Service Regulation				
156 Hospice Facilities Annual Fee Establishes an annual fee for hospice facilities.	($79,200)	R	($79,200)	R
157 Eliminate Positions Eliminates positions within the Division of Health Service Regulation.	($444,518) -7.00	R	($444,518) -7.00	R
158 Operating Freeze Continues freeze on operating expenses from the FY 2008-09 budget (Other Operating - 2xxx-5xxx, Fund 1311 Rent/Lease-Bldg/Office).	($466,688)	R	($466,688)	R

	FY 09-10		FY 10-11	
159 Adjust Continuation Budget Adjusts continuation budget to a level at or below FY 2008-09 Authorized Budget.	($190,134)	R	($208,088)	R
160 Increase Fees for License Renewals Increases licensing fees to health care facilities regulated by the division and reduces State appropriation in a similar amount. The cost of administering the licensure program is shared with facilities.	($1,093,788)	R	($1,093,788)	R
161 Eliminate Two Vacant Positions in Medical Facilities Construction Eliminates two vacant positions in the Medical Facilities Construction Section, which review construction plans, make on-site inspections, and provide consultation to ensure compliance with federal and State standards. The reduction will reduce the number of section staff to 63 FTEs.	($164,640) -2.00	R	($164,640) -2.00	R
162 Charge Fee for Initial Facility License Reduces State appropriations by amount generated by initial facility license fees for new facilities. Fees would apply to adult care homes, hospitals, home care, nursing homes, and mental health facilities.	($29,202)	R	($29,202)	R
Total Legislative Changes	**($1,066,318,614)** **($915,654,231)**	R NR	**($1,370,104,503)** **($529,131,338)**	R NR
Total Position Changes	-717.00		-717.00	
Revised Budget	**$3,554,372,094**		**$3,907,325,104**	

MINUTES
Appropriations Subcommittee on
Health and Human Services

June 4, 2009

The Appropriations Subcommittee on Health and Human Services met in Room 643 on June 4, 2009. Representative Bob England presided and called the meeting to order at 3:15 p.m. Chairman England then welcomed all members and visitors and introduced the Pages and Sergeant at Arms who would be assisting with the meeting. The following members were present; Chairs: Representatives Earle and Insko, and Vice Chair: Representatives Barnhart and Farmer-Butterfield. Members: Representatives Brisson, Burr, Burris-Floyd, Dollar, Neumann, Stewart, Tolson and Yongue.

Chairman England then recognized members of the General Assembly staff to present the Proposed Money Report on the Continuation and Expansion Budgets to the Committee. Lisa Hollowell, Melanie Bush, Lee Dixon, and Bryce Ball presented the Legislative changes for each of the Divisions within the Department of Health and Human Services. Following the presentations, Chairman England recognized members of the Committee for questions of staff. After these discussions, Chairman England recognized Representative Stewart for a motion on the Proposed Money Report. Representative Stewart moved for approval of the Proposed Money Report without prejudice. The motion passed.

Chairman England then recognized staff members for presentation of the Proposed Special Provisions Report. Following the presentations, Chairman England recognized members of the Committee for questions. After these discussions, Chairman England recognized Representative Farmer-Butterfield for a motion on the Proposed Special Provisions Report. Representative Farmer-Butterfield moved for approval of the Special Provisions Report without prejudice, and be sent to the Committee on Appropriations. The motion passed.

Chairman England then thanked all members and visitors for their attendance and adjourned the meeting. A copy of both presentations is attached to these minutes.

Representative Bob England, MD
Chairman

Lisa W. Brown
Committee Assistant

ATTENDANCE

Appropriations Subcommittee on Health and Human Services

DATES	6-4-2009													
Rep. Beverly Earle, Chair	X													
Rep. Bob England, Chair	X													
Rep. Verla Insko, Chair	X													
Rep. Jeff Barnhart, Vice Chair	X													
Rep. Farmer-Butterfield, Vice Chair	X													
Rep. William Brisson	X													
Rep. Justin Burr	X													
Rep. Pearl Burris-Floyd	X													
Rep. Nelson Dollar	X													
Rep. Wil Neumann	X													
Rep. Randy Stewart	X													
Sen. William Purcell, Chair														
Sen. Doug Berger, Chair														
Sen. Charlie Dannelly														
Sen. Martin Nesbitt														
Sen. Harris Blake														
Sen. Debbie Clary														
Sen. James Forrester														
Staff														
Lisa Hollowell, Team Leader	X													
Melanie Bush	X													
Lee Dixon	X													
Bryce Ball	X													

HOUSE APPROPRIATIONS SUBCOMMITTEE FOR HEALTH AND HUMAN SERVICES

AGENDA

June 4, 2009
Room 643, LOB

Rep. Beverly Earle
Rep. Verla Insko
Rep. Bob England
Rep. Jeffrey Barnhart
Rep. Jean Farmer-Butterfield
Rep. William Brisson
Rep. Justin Burr
Rep. Pearl Burris-Floyd
Rep. Nelson Dollar
Rep. Wil Neumann
Rep. Randy Stewart

Chairs

Representative Beverly Earle
Representative Verla Insko
Representative Bob England

Proposed Money Report
Proposed Special Provisions **Staff**

VISITOR REGISTRATION SHEET

APP Health & Human Services — 6/4/09

Name of Committee — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
JOHN VONDERLEHR, LCSW	B&D Behavioral
Daniel Campbell, QP	B&D Behavioral Health
LaDonna Hoze, A P	B&D Behavioral Health
Jessica Wood, QP	B&D Behavioral Health Services
Rozett Smith	249 East NC Highway 54
Dr Lauren Durant	B&D Beh. Health 249 E NC HWY 54 - suite 320 Durham NC 27713
Michelle Williams, NA	B&D Behavioral Health 249 E NC Highway 54 - suite 320 Durham, NC 27713
Antonio Fozard	B&D Behavioral Health Services
Roz Savitt	NC Child Care Coalition
Marie McBride	Senior Tarheel Legislature
Mary Hanes Odom	Former Legislator 1971

VISITOR REGISTRATION SHEET

6/4/09

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Beth Wilson	NC Senior Games
Brad Allen	NC Senior Games
Linda Sharpe	Eastern Carolina Case Mgmt Greenville NC
Catisha Wilkes	Eastern Carolina Case Mgmt Greenville NC
Chad James	RHA Health Services. Inc.
Felicia Battle	RHA | 1701 Westchester Dr Suite 940 HP, NC
Felicia Speaks	" "
Stephanie J Brawley	" "
Evelyn Ward	RHA 1701 Westchester Dr Suite 940 HP NC
Vivian Wroten	RHA 1701 Westchester Dr Suit 940
Arvela Thompson	" Same "

VISITOR REGISTRATION SHEET

6/04/09

Name of Committee **Date**

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NAME	FIRM OR AGENCY AND ADDRESS
Sherrill Covington	Preferred Alternatives Inc. 118 Mackenan Drive Suite 400 Cary N.C 27511
Nancy Sipe	Parent of adult at Howell's ICF MR 1106 Charter Pl Charlotte NC 28211 Charlotte
Missy Jones	810 Old Stonehouse Road Salisbury, NC 28146
Taylor Thigpen	10239 University Park Ln Charlotte NC 28213
Rachael Garner	Preferred Alternatives Inc. 118 Mackenan Dr. Suite 400
Elisabeth Pertz	Preferred Alternatives Cary, NC 27511 118 Mackenan Dr. Ste 400 Cary NC 27511
Tran allison	Caring Arms Youth and Family Services 1530 martin Street suite 205 W-S NC 27103
Daryle Crowder	Caring Arms Youth + Family Services 520 Collins tikman suite 201 Charlotte NC 28262
Lisa Moffat	Eastern Carolina Case Management 104 W. Firetower Rd. Winterville NC 28590 252-353-1114
John Gibbons	119 Crossing Ave Belmont, NC 28012

VISITOR REGISTRATION SHEET

6/4/09

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Leann Henkel	Parent of DD child 4010 Sunset Knoll Trinity NC 27370
Blake Henkel	VICTIM OF BUDGET CUTS 4010 Sunset Knoll Trinity NC 27370
Amanda Wilson	Lindley Habilitation Services Piedmont Pkwy Greensboro, NC
Barbara Snyder	Lindley Habilitations Service Piedmont Pkwy Greensboro, NC
Cathy Atkins	East Carolina Case Management Greenville N.C.
Donice Attabet	EAST CAROLINA case MANAGEMENT GREENVILLE
Kimberly Martin	RHA Health Services High Point, NC
Rosie Dalton	RHA Health Services 1701 Providence Place Ste. 940 High Point NC
Louise Dungee	RHA Health Services 1701 Providence Place Ste 940 High point NC.
Jacqueline C. Nezl	Rha Health Service 1701 Providence Plze Ste. 940 HP NC
Ashley J Bell	American Cancer Society

VISITOR REGISTRATION SHEET

Name of Committee

Date 6/4/09

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Lisa Bland	East Carolina Management 291 Allen Drive sister of a client - Ayden NC 28513
Angela Robertson	Life Enhancement Services 665 N Main St High Point NC 27260
Diane Dunn	Represent son who lives @ More than Conquerors Group Home 408 E. E. St Butner NC
Deborah Huffman	RHA / Howell's - 5
Robin Huffman	NC Psychiatric Assoc
William Graves	Life Enhancement Service
Michele M. Graves	1604 Cawdor Drive Fayetteville NC 28304
Jerry Martin	Nu-Day Case Management 3320 Patterson Ave. WS NC 27105
Virginia Henning	134 Turbo Ave. W-S, N.C. 27104
Lisa Kelleher	Parent of Nu-Day Case Management Client 50 Woodbine St, Apt. 6-A, Fayetteville, NC 2730
Pennie + Gerald Dunn	

VISITOR REGISTRATION SHEET

6/4/09

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Pamela Sword-Halsey	NuDay case Management, Inc. W-S, NC
Lawrence A. Reaves Jr	Nu Day Case Management W-S NC
Diane Bode	Beyond Expectations Comp Svcs Inc W-S NC
Bonnie Booker	NuDay Case Management Inc. W-S NC
Wendy Ruffner	Monach
Elizabeth Osborne	Monarch - Lexington N
Sara Riggins	John Locke Foundation
Emily Kelleher	Kernersville, North Carolina
Deticia Rucker	NuDay Case Mgmt, Inc W-S, NC
Brandon Thomas	NuDay Winston Salem N.C.
Joyce Bland	Parent Adyen, NC

VISITOR REGISTRATION SHEET

6/4/09

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Kay Phillips	APPCNC - Durham
TY DEXTER	TROSA
Jennifer Mahan	MHANC
Alex Denton	Peer Bridgers of PAI
ROBERT E BRANSTON	ARCOANC
Martha Brock	Volunteer Lobbyist
KEVIN BJURKSTA	Howells RHR
Louise G. Fisher	Volunteer Advocate M.I.
Pat Myslicki	Case Manager Winston-Salem Parent of daughter w/ autism
Cindy Perkins Prog. Director	Life Enhancement Services Durham
J.C. Hardaway Jr	NV Day Case Management WSNC

VISITOR REGISTRATION SHEET

Name of Committee | Date: 6/4/09

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
DERRICK SMITH	2203 CROOKED CREEK RD GREENVILLE, NC 27858
Julie McCauley	202 Excalibur Dr Greenville NC 27858
Maggie Dunn	Krystal's House 208 N Greene St. Snow Hill NC 28580
Charsta Scott	Eastern Carolina Case Management 114 W. Firetower Rd. Greenville, NC 27834
Jessica Preece	Easter Seals Greenville, NC 27858
Teresa Cannon	Eastern Carolina Case Management 315 A Clifton St. Greenville, NC / A Small Miracle Greenville, NC
Staci Freeman	Eastern Carolina Case Management 315 A Clifton St. Greenville, NC 27858
Karen Thurman	Eastern Carolina Case Management 315 A Clifton St Greenville NC 27858
David West	Eastern case management 315 A clifton st Greenville NC 27858
Joyce Baffi	N.C Partnership for Children
Mary Ann Rasberry	Union Smart Start

VISITOR REGISTRATION SHEET

Name of Committee: _____ Date: 6/4/09

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Alison Davis	PARENT
Susan Pollard	
Rain Worden	Parent
Judy W. St Amour	P.O. Box 753 Lumberton NC 28359
Dana Revels	P.O. Box 753 Lumberton NC 28359
Tim Wadford	8504 Six Forks Rd, 101, Raleigh, NC 27615
Melissa Morris	ACI 3240-1 Burnt Mill Dr. Wilm. NC 28403
Rita Barnes	ACI Support Specialist Inc. 1021 Hwy 70 W Suite 109 Garner NC
MITESH PATEL	ACI SUPPORT SPECIALIST 8504 SIX FORKS RD, #101 RALEIGH NC 27615
Greg Stuyland	Developmental Therapy Associates 3514 University Dr. #8 Durham, NC
[illegible]	General Assembly Research

VISITOR REGISTRATION SHEET

6/4/09

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
James & Jonathan Large ~~Deborah Berry~~	5200 Red Mill Rd Durham, NC 27704
Valarie, Jennifer & Heather Choate	1086 Pine Drive Winterville, N.C. 28590
Adam Carter	104 W Firetower Rd. Winterville, NC 28590
David Peterson	315 Clifton Street Suite A Greenville NC 27858
Kevin Chancey	104 W. Firetower Rd. Winterville, NC 28590
Laina Taylor	156 Gussett Drive Garner, NC 27529
Eugenia Carraway	801 Faulane Drive Grifton NC 28530
Shannon Carswell	502 Channel Dr. Winterville, NC 28590
Kevin Carswell	502 Channel Dr Winterville, NC 28590
Vanessa Carswell	" "

VISITOR REGISTRATION SHEET

6/4/09

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Lorene Dennis	RHA - Marion
Anita Roberts	RHA - Statesville
Aquilla Freeman	R. H A - Statesville, NC
Rhonda Shafer	RHA Health Services / Statesville
Donna Augustono	RHA Health Services / Creedmoor NC
Brie Dorsey	RHA Health Services / Creedmoor NC
Benjamin Asembe	A Small Miracle, Inc. Raleigh

VISITOR REGISTRATION SHEET

App Health + Human Services — 6/4/09

Name of Committee — Date

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NAME	FIRM OR AGENCY AND ADDRESS
Bill Rustad	ACT
John Mueller	NFOs
Kevin FitzGerald	UNC
Dick Carlton	
Bill Scott	DHHS
Evelyn Hawthorne	DHSR
Jan Johnson	Beyond Academics - GSO
Peggy Barlow	The Saguaro Grp -
Jan Reloy	NMRS
Jan Allen	BEGINNINGS
Jon Nath	NCALTCF

VISITOR REGISTRATION SHEET

6/4/09

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Natasha Fisher	RHA Health Services
Mark Westrick	RHA Health Services
Kimberly M. Lewis	RHA Health Services
Mattie Arrington	RHA Health Services
Rachel Cozart	RHA Health Services
Teresa Babbitt	RHA Health Services
Donna Collins	RHA Health Ser.
Delphia Anderson	RHA Health Services
~~Donna Augustine~~	~~RHA Health Services~~
Ashleigh E Dorsey	RHA Health Services / Creedmoor

VISITOR REGISTRATION SHEET

6/4/09

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Dick Wicks	110 Countryside Ln Cary, NC 27518
Susan K. Schaffer	RHA Health Services, Inc. 176 Wildcat Rd. Deep Gap, NC 28618
G. Fiona Bond-Davis	900 Magnolia Ridge Way Fuquay Varina NC 27526
Sue Teague	RHA Health Services, Inc 176 Wildcat Rd. Deep Gap, NC 28618
Shanrique White	1222 merrion park. ln Morrisville NC
Pamela Dixon	3524 Heatherwood Lane Durham, NC 27713
Danny R. Allen	2519 S Memorial Drive Greenville N.C. 27834
Jonathan Kahn	117 Brownlea Drive Apt #4 Greenville, NC 27858
MICHAEL Edwards	Eastern Carolina Case Mgt. 104 W. Fig tower Rd. Winterville N.C. 28590
Kimberly M. Lewis	RHA Health Services Inc 910 N. Durham Ave Creedmoor NC 27522
Mattie Covington	RHA Health Services, Inc 910 N. Durham Ave Creedmoor NC 27522

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6/4/09

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NAME	FIRM OR AGENCY AND ADDRESS
Jessica Pearson	RHA Health Services NC 27013
Lisa Jones	RHA Health Services, Inc.
Janice Cooper	RHA Health Services 15235 Airport Rd Maxton, NC 28364
Dorothy Barrier	
Debra J. Burgess	
	RHA-Hywell
Eric D Bender Carolyn F Robinson	New Life Services 2003 Godwin Ave. #C Lumberton NC 28358
Andy Anderson	Community Improvements, Inc. 801 Wilson St., Whiteville, NC 28472
	HD Growth Corp of Lumberton NC

VISITOR REGISTRATION SHEET

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NAME	FIRM OR AGENCY AND ADDRESS
Julia Leggett	The Arc of NC
Dave Richard	The Arc
Yvonne Copeland	NCCCP
Janet Shamyn Woch	Indigo
Kim Grubb	Eastern Carolina Case Management
Sean Kenny	Eastern Carolina Case Management 104 West Fire Tower Rd Winterville NC 28590
Martha Hall	RHA Health Services 910 N. Durham Ave Creedmoor, NC 27522
Annaliese Rolph	DRNC
Abby Emanuelson	NMSS-NC
Lynette Doe	NCACCD
Sally Cameron	NC Psychological
	NCA

VISITOR REGISTRATION SHEET

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NAME	FIRM OR AGENCY AND ADDRESS
Gill Hinton	
Victoria Hawkins	BCM & Assoc.
TAD CLODFELTER	SOUTHLIGHT INC / SA Federation
JACK REGISTER	NASW-NC / CPDMI / PAC
TERESA CARTER	NuDay Case Managmt / NC Provider Council
Charles Dixon	RHA Health Services, Inc. 190 Commerce Statesville, NC Blvd. 28625
Crystal Godberry	" " " " " "
Penny Whitted	RHA 1754 Catawba Pkwy Newton, NC 28658
Janice Taillon	" " " " " "
Cohen Hill	" " " " " "
Lori Novak	" " " " " "

VISITOR REGISTRATION SHEET

6/4/09

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NAME	FIRM OR AGENCY AND ADDRESS
Jennifer Lineberger	RHA Health Services 1564-D Union Rd Gastonia NC 28054
Mary Corey	RHA Health Services Inc 1564 D Union Rd Gastonia NC 28054
Randy Robinson	RHA Health Services 15235 Airport Road, Maxton NC 28364
Robin Correll	Parent of a child with developmental disabilities 2034 Sugar Maple Ln Conover, NC 28613
Katie Leegins-Vinson	(1) Parent of Child (CAP-C) recipient 553 Patsy Drive Greenville (2) QA - Lechris Health System/MH provider
PANI JOHNSON	QA - LeChris MH provider
DONNA Ramsey	(1) Provider QA Director LeChris
Caroline McMahan	RHA Health Services 1564-D Union Rd. Gastonia, NC 28054
Celia Graham	RHA Health Services
Mary Thompson	RHA Health Services
Jolette Brown	RHA Health Services Gastonia, NC

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6/4/09

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NAME	FIRM OR AGENCY AND ADDRESS
John M. Cook	1701 Westchester Drive High Point, NC
Anna Barrett	Eastern Carolina Case Management 104 West Fire tower Rd Greenville, NC 27834
Rodney Dlorer	Eastern Carolina Case Mang. 104 W Firetower Rd. Greenville, N.C
Terry Rouse	Apt #1 Greenville N.C
Lori Tetterton	1217 Trafalgar Dr. Winterville, NC 28590
Kim Feller	528 Buxton Grant Dr. Cary 27519
James Woodley	100 Luci Dr, F-6 Greenville, N.C. 27858
Vera D. Hall	4208 Rocket Rd Greenville, NC 27858
Marlene Shaffer	1734 Gestalt Parkway Newton NC 28658
Craig Flores	Personalized Therapy Inc. 925-B Conference Dr. - Greenville, NC 27858
Katie Gander	Personalized Therapy, Inc. 925-B Conference Dr. Greenville, NC 27858

VISITOR REGISTRATION SHEET

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NAME	FIRM OR AGENCY AND ADDRESS
Lu-Ann	NCPA
Kenny Burrow	Therapeutic Alternatives
Barbara Carsten	BBCA
John Bowdich	AstraZeneca
Mark Eggell	HWTF
Ronald Williams	RHA
Karen Jones	RHA
Antonia Hatch	RHA 910 N. Durham Blvd Creedmoor, NC 27522
Kim Wilson	Rha-Maiden 1754 Getzag Parkway Milton NC 28020
Pam Gaither	Rha-Maiden
Michael Marshall	Rha Maiden

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NAME	FIRM OR AGENCY AND ADDRESS
Christie Martin Martoccia	Personalized Therapy, Inc 925 B Conference Dr, Greenville 27858
Maria Saporito	Personalized Therapy, Inc. 925 B conference Dr Greenville 27858
Linda Hatcher	4114 Carpenter Pond Rd Durham 27703 parent
Jenny Parsons	RHA Health Services 176 Wildcat Rd Deep Gap NC 28618
Debbie Miller	RHA Health Services 176 Wildcat Rd. Deep Gap NC 28618
Shelia Collins	RHA Health Services 176 Wildcat Rd Deep Gap N.C 28618
Cassie Rush	RHA Health Services, Inc 176 Wildcat Rd Deep Gap NC 28618
Ann Palmer	Autism Society of NC 505 Oberlin Rd. Raleigh NC
Shawn Page	Autism Society of NC
Tracey Sheriff	Autism Society of North Carolina 505 Oberlin Rd, Ste 230, Raleigh, NC 27605
Scott Radcich	Autism Society of NC

VISITOR REGISTRATION SHEET

6/4/09

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Citizen	NC Oral Health Section

North Carolina House of Representatives
Appropriations Committee

RULES FOR SUBCOMMITTEE PROCEDURE

June 4, 2009

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.
3. Amendments can only affect appropriations within the departments, agencies, or programs within the jurisdiction of the subcommittee.
4. Amendments cannot spend reversions or include "shall not revert" or "carry forward" language.
5. Nonrecurring reductions cannot be used to fund recurring items.
6. Amendments cannot change substantive policy or law.
7. No changes in "management flexibility reductions" or "management flexibility reserves."

HOUSE APPROPRIATIONS SUBCOMMITTEE

ON

HEALTH AND HUMAN SERVICES

PROPOSED REPORT
ON THE
CONTINUATION AND EXPANSION BUDGETS
2009-11

June 4, 2009

Health and Human Services

GENERAL FUND

	FY 09-10		FY 10-11	
Recommended Budget	**$5,536,344,939**		**$5,806,560,945**	
Legislative Changes				
(1.0) Division of Child Development				
1 Adjust Continuation Budget to FY 2008-09 Authorized Budget Level	($62,462)	R	($75,601)	R
2 Eliminate Positions Eliminates positions within the Division of Child Development.	($87,375) -2.00	R	($87,375) -2.00	R
3 Reduce Operating Expenses Reduces operating expenses within the central management of Division of Child Development.	($20,000)	R	($20,000)	R
4 Contracts Eliminates funds to administer the testing-out of coursework allowed for lead child care teachers. As of July 2008, lead child care teachers may no longer test out of coursework; therefore, these funds are not needed. Reduces a contract for Seat Management.	($131,554)	R	($131,554)	
5 Child Care Subsidy Rate Reduction Reduces the rate for funds paid to child care centers for subsidy recipients. This reduction represents a 5% rate reduction. These funds are state appropriations within the Division of Child Development and appropriated to North Carolina Partnership for Children.	($3,977,578)	R	($3,977,578)	R
6 Child Care Subsidies Reduces child care subsidies.	($16,642,440)	R	($16,642,440)	R
7 Replace State Funds for Child Care Subsidy Replaces State funding for child care subsidy with one-time Temporary Assistance for Needy Families Block Grant (TANF) contingency funds for FY2009-10.	($12,452,484)	NR		
8 Increase Fees for Child Care Centers and Charge a Fee for Child Care Homes Increases the existing child care licensure fees by 50% and reduces the State appropriations within the Division of Child Development. Imposes a new fee for child care homes equal to the amount that the smallest centers are required to pay.	($602,385)	R	($602,385)	R

	FY 09-10		FY 10-11	
9 Federal Recovery Funds for Child Care Subsidy Increases funds for child care subsidy to reduce the waiting list as allowed by the Federal Recovery Act by $53,993,329. Increases funds for quality initiations, as allowed by the Federal Recover Act by $11,519,144. Increases funds to local governments for the administration of the child care subsidy program by $2,030,661.				
10 Reduce Smart Start Funding Reduces funds for the North Carolina Partnership for Children.	($25,000,000)	R	($25,000,000)	R
11 Replace State Funding for TEACH Program Replaces State funds for the TEACH Program with federal receipts for two years.	($3,800,000)	NR	($3,800,000)	NR
(2.0) Division of Mental Health, Developmental Disabilities, and Substance Abuse Services				
12 Adjust Continuation Budget to FY 2008-09 Authorized Budget Level	($74,408,533)	R	($91,641,479)	R
13 Contracts Reduces state funds in contracts within the Division managed by central management.	($1,900,000)	R	($1,900,000)	R
14 Eliminate Positions Eliminates positions within the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services.	($12,858,290) -350.00	R	($12,858,290) -350.00	R
15 Local Management Entities System Management Funds Reduces funds for administration of Local Management Entities.	($7,042,440)	R	($8,521,283)	R
16 Local Management Entities' Fund Balances Reduces service funds to Local Management Entities' with fund balances by $50 million in each year of the biennium on a non-recurring basis. The LMEs are required to spend their fund balances on services and not to reduce services. The Division of Mental Health, Developmental Disabilities, and Substance Abuse Services is required to approve all expenditures of LME fund balances.	($50,000,000)	NR	($50,000,000)	NR
17 CAP/MR-DD Reduction in State Supplemental Funds Reduces service funding for supplemental state-funded services provided to CAP/MR-DD patients. Services will still be allowed for room and boarding.	($16,000,000)	R	($16,000,000)	R
18 Close Bed Units at Broughton and Cherry Hospitals Reduces funds at Broughton and Cherry Hospitals. Provides $6 million for contracts for local hospital bed capacity for mental health services.	-102.00		-102.00	

	FY 09-10		FY 10-11	
19 Federal Funds Payback for Broughton Hospital Reduces State funds due to a pay-back of federal funds expected from Centers for Medicare & Medicaid Services. An Administrative Law Judge ruled that Broughton Hospital should not have been decertified in August 2007 and that federal funding should not have been withheld. This payback of funds will replace State funds within the DMHDDSAS budget.	($12,000,000)	NR		
20 Non-Core State Operated Services Reduces funds for non-core mission state operated services.	($4,500,000)	R	($4,500,000)	R
21 Non-Core Community Services Reduces funds for non-core community services provided through local programs.	($4,017,219)	R	($4,017,219)	R
22 Operating Expenses Reduces funds within operating accounts within the division's central office by $250,000. Reduces funds at the maintenance facilities by $1,000,000.	($1,250,000)	R	($1,250,000)	R
23 Increase Patient Receipts at Alcohol, Drug Abuse Treatment Centers Reduces State funds at the ADATCs in anticipation of additional patient revenues collected. This is due to the increased bed capacity available at the ADATCs.	($662,867)	R	($1,127,895)	R
24 State Funded Services Reduces funds for state-funded services provided through Local Management Entities.	($50,000,000)	R	($50,000,000)	R
25 State Operated Services Purchasing/Financial Savings Reduces funds due to savings to be achieved from bulk purchasing among state-owned facilities within the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services.	($2,000,000)	R	($2,000,000)	R
26 Direct Payments to Providers Reduces state funding for Local Management Entities administrative funding. The reduction represents the total funding paid for Claims Processing. The Division of Mental Health, Developmental Disabilities, and Substance Abuse Services will begin paying providers directly alleviating LMEs of claims processing responsibility.	($7,100,000)	R	($7,100,000)	R
27 Continuation Review - Wright and Whitaker Schools The Department of Health and Human Services will conduct a continuation review of the Wright and Whitaker Schools operated within the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services. The recurring funding is eliminated for these programs and non-recurring funds will operate the program for one year. The General Assembly will decide whether to continue this program during the 2010 session based on a report to be completed by the Department.	($5,779,982) $5,779,982	R NR	($5,779,982) $5,779,982	R NR

	FY 09-10		FY 10-11	
(3.0) Division of Public Health				
28 Adjust Continuation Budget to FY 2008-09 Authorized Budget Level	($8,670,368)	R	($11,860,655)	R
29 Reduce Operating Budgets Reduces operating budgets within three branches of the Division of Public Health.	($348,363)	R	($348,363)	R
30 Eliminate Positions within Division of Public Health Eliminates positions with the Division of Public Health, including those positions associated with the Purchase of Medical Care Services program.	($2,405,121) -45.00	R	($2,405,121) -45.00	R
31 Reduce AIDS Drug Assistance Program Reduces State funds used to purchase pharmaceuticals. Pharmaceuticals from the "drug reserve" inventory will be used.	($3,074,119)	NR	($3,074,119)	NR
32 Vital Records Fee Increase Reduces State funds by allowing Vital Records operation to become receipt-supported. Fee charged for copy of vital records increased from $15 to $24 per copy. Fee charged for expedited out-of-state service increased by $5.	($1,226,403)	R	($1,226,403)	R
33 Reduce Funds for Public Health Incubator Program Reduces State funds for Local Health Services Incubator Grant program.	($950,000)	R	($950,000)	R
34 Shift Positions to Receipt Support Replaces State appropriation with federal WIC funds for public health and regional consultants.	($70,541)	R	($70,541)	R
35 Replace State Funds with Federal ARRA Funds for Early Intervention Replaces State appropriations with American Recovery and Reinvestment Act Funds for the Early Intervention/Infant and Toddler Program.	($4,000,000)	NR	($4,000,000)	NR
36 Replace State Funds with Federal Receipts Replaces State appropriations with Maternal Child Health Block Grant and Medicaid administration funds for several maternal, infant, and child programs.	($1,191,155)	R	($1,191,155)	R
37 Eliminate Positions and Reduce Funding for CDSA Program Eliminates nine vacant positions and reduces funding for Children's Developmental Service Agencies (CDSAs).	($540,054)	R	($540,054)	R
38 Reduce Funding for Accreditation of Local Health Departments Suspends for two years the Division of Public Health's evaluation and accreditation of Local Health Departments (LHDs).	($700,000)	NR	($700,000)	NR

	FY 09-10		FY 10-11	
39 Transfer Funding for Tick-Borne Disease Program Transfers the funding for the Tick-Borne Disease Program to the Division of Environmental and Natural Resources.	($139,802)	R	($139,802)	R
40 Eliminate Kidney Disease Purchase of Medical Care Program Eliminates the Kidney Disease Purchase of Medical Care Program that provides up to $300 for persons with annual incomes up to 100% FPL. Persons with End-Stage Renal Disease are eligible for health care services through Medicare. The program was suspended in January 2009.	($394,255)	R	($394,255)	R
41 Eliminate Epilepsy Purchase of Medical Care Program Eliminates the Epilepsy Purchase of Medical Care Program that serves a minimum number of persons who have annual incomes up to 100% FPL. The program was suspended in January 2009.	($193,181)	R	($193,181)	R
42 Eliminate Adult Cystic Fibrosis Program Eliminates the Adult Cystic Fibrosis Purchase of Medical Care program which serves a minimum number of persons. The program was suspended in January 2009.	($210,088)	R	($210,088)	R
43 Eliminate Funding for the Early Hearing Program Eliminates the Early Hearing Purchase of Medical Care Program that provides hearing devices for infants prior to their being found eligible for the Early Intervention Program. The program was suspended in January 2009.	($171,000)	R	($171,000)	R
44 Eliminate Funding for Cancer Purchase of Medical Care Program Eliminates the Cancer Purchase of Medical Care Program that provides less than comprehensive services to persons with annual incomes of under 100% FPL. The program was suspended in January 2009.	($2,531,934)	R	($2,531,934)	R
45 Replaces Funding for Medically Fragile Children Program Replaces State funds with federal TANF Block Grant and Social Services Block Grant funds for the daycare program for medically fragile children in Wake County. TANF and SSBG provide $360,000 in funding for this program.	($70,000)	R	($70,000)	R
46 Replace State Funds with Federal Receipts from Ryan White Funds Replace State appropriations with Federal Ryan White funds for Duke University HIV/STD Pediatric Services Program.	($209,503)	R	($209,503)	R
47 Eliminate Funding for Second Dose Chicken Pox Vaccine Eliminates funding for the second dose of Varicella vaccine. The second dose is recommended, but not required for children born after April 2001. The second dose is not required by the Universal Vaccine Program	($1,223,027)	R	($1,223,027)	R

	FY 09-10		FY 10-11	
48 Replace State Funds with ARRA Funds for Childhood Immunization Replaces State appropriations with American Recovery and Reinvestment Act funds $5,153,105 for one year to purchase of vaccines for children.	($5,153,105)	NR		
49 Replace State Funds with Third Party Receipts for Immunization The Department of Health and Human Services will seek third party reimbursement for child and adult immunizations.	($4,000,000)	R	($4,000,000)	R
50 Eliminate the Healthy Carolinians Program Eliminates the Healthy Carolinians/Health Education program that establishes multi-agency partnerships at the community level to plan projects guided by the NC 2010 health objectives.	($995,529) -1.00	R	($995,529) -1.00	R
51 Eliminate Oral Health Program Eliminates the Oral Health Program that conducts dental assessments in elementary schools; provides dental education services in community settings; provides instruction on prevention measures to staff at pre-schools, and transfers $250,000 to Local Health Departments to administer the Fluoride Rinse Program.	($4,235,523) -68.00	R	($4,235,523) -68.00	R
52 Reduces Funding for Office of Chief Medical Examiner Reduces state appropriations for the Office of Chief Medical Examiner to a level consistent with SFY 2008-09.	($80,000)	R	($80,000)	R
53 Reduce Division of Public Health Contract Funds Reduces state appropriations for Division of Public Health to eliminate or reduce contracts that either: -Do not meet the Division's core mission; -Do not provide a direct service; -Have had unobligated funds in the past; -Will be funded by Health & Wellness Trust Fund; or -Have not met the goals or deliverables in the contract.	($10,500,000)	R	($10,500,000)	R
(4.0) NC Health Choice				
54 Eliminate Inflationary Increase Eliminates the inflation increase the in the Per Member/Per Month premium cost for Health Choice.	($7,076,746)	R	($7,076,746)	R
55 Reduce Operating Expense Reduces various operating accounts that historically have unobligated funds.	($23,645)	R	($23,645)	R
56 Establish/Increase Emergency Room Co-payments for Non-emergency Visits Reduces State funding by establishing a $50 co-payment for non-emergency visits for families with children enrolled in Health Choice.	($382,665)	R	($482,728)	R

	FY 09-10		FY 10-11	
57 Increase Co-Payments for Prescription Drugs Reduces State funding by increasing co-payments for prescription drugs: $5 for Generic Drugs; $5 for Brand Name Drugs without Generic Equivalent; $5 for Brand Name Drugs for families at or below 150% federal poverty level (FPL); and $10 for families above 151% FPL.	($750,000)	R	($750,000)	R
58 Health Choice Enrollment Freeze Freeze enrollment in Health Choice as of June 30, 2009. Maintains enrollment at 129,694 children during SFY 2009-10.	($2,542,557)	R	($2,542,557)	R
(5.0) Division of Central Management and Support				
59 Adjust Continuation Budget to FY 2008-09 Authorized Budget Level	($2,326,439)	R	($2,793,542)	R
60 Reduce Physician Loan Repayment Program Reduces state appropriations and the number of contracts awarded by approximately eight.	($210,000)	R	($210,000)	R
61 Reduce Psychiatric Loan Repayment Program Reduces state appropriations and reduces the number of contracts by two from the prior year.	($140,000)	R	($140,000)	R
62 Eliminates Loan Repayment Initiative at State Facilities Eliminates funding that the General Assembly appropriated in the 2008 Session to recruit medical doctors to the State's mental health hospitals. To date, these funds have not been awarded.	($868,519)	R	($868,519)	R
63 Reduce Community Health Grants Reduces funding for the Community Health Grant program by 7%, leaving $1,860,000 recurring. This reduction decreases the number of grants awarded annually by approximately two.	($140,000)	R	($140,000)	R
64 Eliminate Positions Eliminates Central Management and Support positions.	($1,330,221) -18.00	R	($1,330,221) -18.00	R
65 Eliminate Special Appropriations Eliminates appropriations to non-profits, including the Institute of Medicine, Food Runners, Special Olympics, ALS Association, and Action for Children.	($1,275,000)	R	($1,275,000)	R
66 Discontinue CARE-LINE 24/7/365 Operation Eliminates the CARE-LINE third shift.	($128,502) -2.00	R	($128,502) -2.00	R
67 Reduce Rental Subsidy Reduces funds for transfer to the North Carolina Housing Finance Agency to operate the Key Program. Approximately 310 rental units will not be ready for occupancy in FY2009-10.	($1,155,000)	NR		

	FY 09-10		FY 10-11	
68 Reduce Operating Budgets Reduces operating budgets within Central Management and Support divisions and offices, including the Secretary's Office, the Administrative Support section, the Controller's Office, and the Office of Rural Health and Community Care.	($349,235)	R	($349,235)	R
69 Medicaid Management Information System (MMIS) Replacement Appropriates prior-year earned revenue of $11,071,502 for FY 2009-10 and $9,820,689 for FY 2010-11 to match federal funds for the MMIS Replacement project. Total receipts of $55,357,510 for FY 2009-10 and $49,103,445 for FY 2010-11 offset anticipated requirements.				
70 Federal Recovery Funds for Weatherization Assistance Appropriates $131,954,536 of Federal Recovery funds for weatherization assistance to low-income North Carolinians.				
(6.0) Division of Social Services				
71 Adjust Continuation Budget to FY 2008-09 Authorized Budget Level	($16,057,583)	R	($14,101,113)	R
72 Eliminate Positions Eliminates positions within the Division of Social Services.	($694,570) -22.00	R	($694,570) -22.00	R
73 Reduce Operating and Contracts Budgets Reduces operating and contracts budgets across all sections of the Division of Social Services.	($1,774,570)	R	($1,774,570)	R
74 Work First Cash Assistance Funding Replaces State funds for Work First cash assistance payments with federal TANF Block Grant funds.	($7,178,459)	R	($7,178,459)	R
75 Electing Counties Work First State Funds Replaces State funds with federal TANF Contingency funds for Work First cash assistance payments and Work First county block grants for Electing Counties.	($2,378,213)	NR		
76 Reduce Funds for Child Advocacy Centers Reduces funding for the twenty-one (21) accredited child advocacy centers statewide. During its 2008 Session, the General Assembly increased recurring state appropriations by $350,000. This reduction leaves $460,000 in total funding.	($115,000)	R	($115,000)	R
77 Reduce Funds for Family Resource Centers Reduces state appropriations for Family Resource Centers.	($200,000)	R	($200,000)	R

	FY 09-10		FY 10-11	
78 Replace State Funds for Maternity Home Services Replaces state funding for Maternity Home Services with federal TANF Block Grant funds. There are fifteen maternity homes in nine counties providing services to approximately 190 women.	($105,002)	R	($105,002)	R
79 Reduce Funds for NC Reach Temporarily suspends state funding for NC Reach post-secondary scholarships in FY2009-10, and reduces recurring funding. $3,168,250 is appropriated from the Escheat Fund in each year to continue funding for scholarships.	($1,500,000) ($1,668,250)	R NR	($1,500,000)	R
80 Recovery Funds for Foster Care and Adoption Assistance Reduces state appropriations to reflect enhanced federal participation for Title IV-E adoption and foster care assistance payments, effective through December 31, 2010.	($2,203,516)	NR	($1,126,866)	NR
81 Federal Recovery Funds for Child Support Enforcement Reduces state appropriations and budgets federal funds to reflect the temporary reinstatement of federal matching of child support incentive funds.	($2,214,542)	NR		
82 Reduce State Funding for Child Welfare Collaborative Maintains state funding to support the sixty-eight (68) current Child Welfare Collaborative students. The Collaborative provides financial, educational, and employment support for selected social work students.	($96,246)	R	($96,246)	R
83 Budget Over-realized Receipts Budgets over-realized Child Support Enforcement receipts.	($600,000)	R	($600,000)	R
84 Reduce State Aid to Counties Reduces state funding to support costs associated with county administration of public assistance programs.	($5,473,985)	R	($5,473,985)	R
85 Eliminate Funding for Child Support Offices Eliminates state funding for the sixteen state-operated child support offices, and requires the twenty-eight (28) counties served by these offices to fund their operation.			($4,082,811)	R
86 Reduce State/County Special Assistance Rates Effective October 1, 2009, retracts the state/county special assistance rate increase made effective January 1, 2009, and holds disenfranchised recipients harmless for the change in the standard of need.	($3,286,280)	R	($4,381,707)	R
87 Decrease Foster Care & Adoption Assistance Rates Retracts the standard board rate increases made effective January 1, 2009.	$1,174,026	NR	($1,122,638)	R

	FY 09-10		FY 10-11	
(7.0) Office of Education Services				
88 Adjust Continuation Budget to FY 2008-09 Authorized Budget Level	($471,414)	R	($523,322)	R
89 Reduce Operating Budget Reduces operating and contract budgets office-wide.	($1,661,090)	R	($1,661,090)	R
90 Eliminate Positions Eliminates five (5) vacant positions at the North Carolina Schools for the Deaf (NCSD), eleven (11) positions at Eastern North Carolina School for the Deaf (ENCSD), fourteen (14) at Governor Morehead School for the Blind (GMS), and two (2) at Governor Morehead Preschool.	($1,350,212) -32.00	R	($1,350,212) -32.00	R
91 Eliminate Governor Morehead School Short-Term Outreach Program Eliminates the Short Term Outreach program, which provides weekly camps for approximately 70 children annually to develop orientation and mobility, money-handling, and other skills.	($151,679) -3.00	R	($151,679) -3.00	R
92 Reduce Family Resource Center Funds Reduces funds for the Beginnings for Parents of Hearing Impaired Children contract.	($229,151)	R	($229,151)	R
93 Transfer from OES Trust Fund Transfers $175,321 of available cash balance from various funds within budget code 64424 to Nontax Revenue to support residential school operations.				
94 Reduce Funding for Residential Schools Reduces funding for the North Carolina School for the Deaf, Eastern North Carolina School for the Deaf, and Governor Morehead School for the Blind.	($1,500,000)	R	($1,500,000)	R
(8.0) Divisions of Services for the Blind and Services for the Deaf and Hard of Hearing				
95 Adjust Continuation Budget to FY 2008-09 Authorized Budget Level	($181,228)	R	($240,170)	R
96 Eliminate Positions Eliminates positions within the Divisions of Services for the Blind and Services for the Deaf and Hard of Hearing.	($130,777) -3.00	R	($130,777) -3.00	R
97 Reduce Operating Budget Reduces operating budgets division-wide.	($107,712)	R	($107,712)	R

	FY 09-10		FY 10-11	
98 Replace State Funds with Federal Receipts Budgets Basic Support Vocational Rehabilitation Grant funds and reduces state appropriations.	($150,000)	R	($150,000)	R
99 Service Rate Adjustment Reduces medical eye care, vocational rehabilitation, and independent living provider reimbursement rates by 5.5% for FY2009-10 and 6% for FY2010-11.	($145,992)	R	($159,264)	R
100 Transfer from Telecommunications Relay Trust Fund Transfers $8,500,000 of available cash balance from the Telecommunications Relay Trust fund, budget code 67425, to Nontax Revenue to support General Fund appropriations.				
101 Replace State Funds with Federal Recovery Funds Reduces state funds for the older blind individuals program and budgets federal recovery funds for vocational rehabilitation services ($2,974,779) and the older blind individuals independent living program ($1,042,363).	($260,590)	NR	($260,590)	NR
(9.0) Division of Vocational Rehabilitation				
102 Adjust Continuation Budget to FY 2008-09 Authorized Budget Level	($1,181,339)	R	($1,511,633)	R
103 Eliminate Positions Eliminates positions within the Division of Vocational Rehabilitation.	($329,960) -3.00	R	($329,960) -3.00	R
104 Reduce Basic Support Case Services Reduces State appropriations for non-medical consumer purchases.	($3,612,025)	R	($3,612,025)	R
105 Reduce Funds for Independent Living Reduces state appropriations for independent living services.	($1,500,000)	R	($1,500,000)	R
106 Service Rate Adjustment Reduces vocational rehabilitation and independent living provider reimbursement rates by 5.5% for FY2009-10 and 6% for FY2010-11.	($155,619)	R	($169,766)	R
107 Replace State Funds with Federal Recovery Funds Replaces state funds for the independent living program and budgets anticipated federal recovery funds for vocational rehabilitation services ($15,054,229) and independent living ($402,340).	($201,170)	NR	($201,170)	NR

	FY 09-10		FY 10-11	
(10.0) Division of Aging and Adult Services				
108 Adjust Continuation Budget to FY 2008-09 Authorized Budget Level	($2,323)	R	($6,382)	R
109 Eliminate Positions Eliminates positions within the Division of Aging and Adult Services.	($16,025) -1.00	R	($16,025) -1.00	R
110 Eliminate Quality Improvement Consultation Program Eliminates a contract and position that supported a Quality Improvement Program pilot for Adult Care Homes.	($190,204) -1.00	R	($190,204) -1.00	R
111 Eliminate Senior Center Outreach Program Eliminates funding for the Senior Center Outreach Program, previously allocated to the 17 Area Agencies on Aging to promote the use of services available through senior centers.	($100,000)	R	($100,000)	R
112 Reduce Home and Community Care Block Grant Continues reduction taken in current fiscal year in the Home and Community Care Block Grant.	($2,594,744)	R	($2,594,744)	R
113 Operating Reductions Continues Governor's reduction on travel, supplies, printing, and other operating expenses.	($90,466)	R	($90,466)	R
114 Replace Home and Community Care Block Grant Funds Replace funding for the Home and Community Care Block Grant, which provides funding for in-home and community-based services for seniors. The reduction in State appropriations will be offset by federal recovery funds for senior nutrition services.	($1,384,392)	NR		
115 Senior Community Service Employment The Senior Community Service Employment Program (SCSEP) places economically disadvantaged individuals 55 years of age and older with an income at or below 125% of the federal poverty level into part-time community service programs while transitioning clients into unsubsidized employment. Currently, five Area Agencies on Aging provide employment services in 25 counties. $621,560 in federal recovery funds will be available to support the program. Twenty percent of funds must be spent in the current year. The remaining funds ($497,248) and the required local match ($55,250) are budgeted as receipt-supported activities.				
(11.0) Division of Medical Assistance				
116 Adjust Continuation Budget to FY 2008-09 Authorized Budget Level	($507,391,540)	R	($738,471,757)	R

	FY 09-10		FY 10-11	
117 Phased-out County Share Increases appropriations for Medicaid due to the final phase-out of the county share, effective July 1, 2009.	$254,466,128	R	$264,390,307	R
118 Projected Medicaid Growth Adjusts continuation budget to allow for caseload growth.	$147,360,758	R	$260,454,571	R
119 End County Participation Ends county participation in Medicaid, including any cost settlements or adjustments, as of June 1, 2009.	($4,738,858)	R	($4,738,858)	R
120 Provider Rate Reductions Reduces Medicaid provider rates by 5.5% in FY 2010 and 6% in FY 2011. Applies to all public and private providers except for federally qualified health centers, rural health centers, school-based and school linked health centers, State institutions, hospital outpatient, pharmacy, and the non-inflationary components of the case-mix reimbursement system for skilled nursing facilities.	($148,393,793)	R	($161,884,138)	R
121 Modify Personal Care Services Benefits Reduces personal care services benefits to reduce overutilization of services. Effective October 1, 2009.	($49,341,460)	R	($62,326,055)	R
122 Reduce Personal Care Services in Adult Care Homes Reduces appropriation for personal care services provided in adult care homes.	($10,000,000)	R	($10,000,000)	-
123 Reduce Community Support Services Reduces community support services in the first year, to begin phasing out service completely in the second year. Retains 25% of funding in second year to account for EPSDT services.	($59,772,501)	R	($116,530,001)	R
124 Eliminates PT/OT/ST Eliminates funding for physical therapy, occupational therapy, and speech therapy, an optional service in Medicaid. Retains 20% of funding for EPSDT services for children.	($15,633,333)	R	($18,760,000)	R
125 Reduce Group Homes Reduces funding for High Risk Intervention Level III and IV group homes. Retains 35% of funding for transitions to other services.	($31,721,919)	R	($45,109,244)	R
126 Reduces Adult Optical Reduces adult optical services and supplies, an optional service in Medicaid.	($3,201,911)	R	($3,842,293)	R
127 Implement a Preferred Drug List Implements a preferred drug list, including atypical antipsychotics. Savings include supplemental rebates.	($40,000,000)	R	($50,000,000)	R

	FY 09-10		FY 10-11	
128 Reimbursement for Prescription Drugs Changes reimbursement for prescription drugs from Average Wholesale Price (AWP) - 10% to Wholesale Acquisition Cost (WAC) + 7%.	($10,457,042)	R	($13,942,723)	R
129 Reduce Dispensing Fee for Prescription Drugs Reduces dispensing fee for both brand and generic drugs.	($1,250,595)	R	($1,649,455)	R
130 Dental Coverage Reduces by 50% the funding for dental benefits for adults, an optional service in Medicaid.	($15,879,224)	R	($20,057,967)	R
131 Limit transplants to solid tissue Limits transplants paid by Medicaid to solid tissue only.	($2,916,667)	R	($3,500,000)	R
132 Dental Policy Adjustments Reduces appropriations based on dental policy changes on sealants and imaging.	($3,689,582)	R	($4,427,500)	R
133 Orthotics and Prosthetics Coverage Reduces orthotics and prosthetics coverage, an optional service in Medicaid.	($2,267,877)	R	($2,885,284)	R
134 Emergency Room Copayment for Nonemergency Visits Establishes a $50 copayment for nonemergency visits to emergency departments.	($2,975,070)	R	($3,945,037)	R
135 Increase Copays on Services Increases copays on Medicaid services by $2.	($3,098,256)	R	($3,717,908)	R
136 Eliminate HIV Case Management Eliminates funds for HIV case management services.	($1,671,299)	R	($2,111,115)	R
137 Consolidate Case Management Services Reduces appropriations by consolidating case management services throughout the Medicaid program.	($53,730,905)	R	($85,463,000)	R
138 Increase CCNC Savings Reduces appropriations through greater case management by Community Care of North Carolina.	($88,105,041)	R	($96,844,004)	R
139 Imaging Contract Reduces appropriations for labs and imaging by utilizing a vendor to contain costs.	($8,111,250)	R	($8,237,322)	R
140 Institute Nursing Home Rate Reduction Institutes an additional rate reduction for nursing homes.	($9,195,114)	R	($9,776,920)	R
141 Single Source Durable Medical Equipment (DME) Reduces appropriations for DME by purchasing in bulk from a single source.	($3,509,312)	R	($4,211,174)	R

	FY 09-10		FY 10-11	
142 Freeze CAP Slots Freezes Community Alternative Programs slots for disabled adults and people with mental retardation and developmental disabilities.	($14,646,956)	R	($15,274,842)	R
143 Reduce Hospice Services Reduces funding for hospice services, an optional service in Medicaid.	($5,000,000)	R	($5,000,000)	R
144 Eliminate MH Residential Services - Therapeutic Camps Eliminates funding for therapeutic camps for teens with behavioral and substance abuse problems, an optional Medicaid service.	($1,573,100)	R	($2,236,981)	R
145 Mandate Use of Web-based PASARR Mandates the use of the web-based PASARR screening for mental health issues for nursing facilities and adult care homes.	($350,000)	R	($350,000)	R
146 Adult Care Homes Special Care Unit Moratorium Institutes a moratorium on special care unit beds in adult care homes.	($474,231)	R	($597,152)	R
147 Establishes Provider Enrollment Fee Establishes a $100 enrollment fee for Medicaid providers, payable upon initial enrollment and every three years thereafter.	($1,500,000)	R	($1,500,000)	R
148 Contract Adjustments Reduces various administrative contracts.	($1,594,749)	R	($1,594,749)	R
149 Quarterly Printing of Medicaid ID cards Reduces appropriations by printing Medicaid identification cards on a quarterly basis instead of monthly.	($1,750,000)	R	($1,750,000)	R
150 Mandate EFT Payments Reduces appropriations by mandating payment of claims by electronic fund transfers.	($472,500)	R	($472,500)	R
151 Mandate Electronic Claims Filing Reduces appropriations by mandating that providers billing Medicaid file claims electronically.	($1,200,000)	R	($1,200,000)	R
152 Eliminate Positions Eliminates positions within the Division of Medical Assistance.	($559,031) -11.00	R	($559,031) -11.00	R
153 Enhance Third Party Liability Recoveries and Cost Avoidance Reduces medical assistance payments by increasing payment by third parties and increasing cost avoidance through better utilization of technology and other Medicaid cost-containment activities.	($20,000,000)	R	($20,000,000)	R

	FY 09-10		FY 10-11	
154 Implement False Claims Act Increases the amount North Carolina can retain from fraud and abuse recoveries by implementing provisions that meet federal False Claims Act standards. The 10% bonus is expected to generate about $2.4 million annually. Of the amount collected, $176,068 will be used to support 5 positions at the Attorney General's Office to implement the act. Net collections will be offset by a reduction to State appropriations.			($2,229,757)	R
155 Eliminates Funding for CCNC-Health Choice Eliminates the per member/per month payment to the Community Care of North Carolina networks associated with Health Choice enrollees.	($900,000)	R	($900,000)	R
156 Reduction in Medical Assistance Payments Reduces Medical Assistance payments to be offset by federal recovery funds.	($807,007,555)	NR	($465,968,593)	NR
(12.0) Division of Health Service Regulation				
157 Hospice Facilities Annual Fee Establishes an annual fee for hospice facilities.	($79,200)	R	($79,200)	R
158 Operating Freeze Continues freeze on operating expenses from the FY 2008-09 budget (Other Operating - 2xxx-5xxx, Fund 1311 Rent/Lease-Bldg/Office).	($466,688)	R	($466,688)	R
159 Eliminate Positions Eliminates positions within the Division of Health Service Regulation.	($444,518) -5.00	R	($444,518) -5.00	R
160 Adjust Continuation Budget to FY 2008-09 Authorized Budget Level	($190,134)	R	($208,088)	R
161 Increase Fees for License Renewals Increases licensing fees to health care facilities regulated by the division and reduces State appropriation in a similar amount. The cost of administering the licensure program is shared with facilities.	($1,093,788)	R	($1,093,788)	R
162 Eliminate Two Vacant Positions in Medical Facilities Construction Eliminates two vacant positions in the Medical Facilities Construction Section, which review construction plans, make on-site inspections, and provide consultation to ensure compliance with federal and State standards. The reduction will reduce the number of section staff to 63 FTEs.	($164,640) -2.00	R	($164,640) -2.00	R

	FY 09-10		FY 10-11	
163 Charge Fee for Initial Facility License Reduces State appropriations by amount generated by initial facility license fees for new facilities. Fees would apply to adult care homes, hospitals, home care, nursing homes, and mental health facilities.	($29,202)	R	($29,202)	R
Total Legislative Changes	**($1,072,590,556)**	**R**	**($1,376,378,606)**	**R**
	($902,698,928)	**NR**	**($523,351,356)**	**NR**
Total Position Changes	-671.00		-671.00	
Revised Budget	**$3,561,055,455**		**$3,906,830,983**	

DHHS Restorations

	Item Number	Name	Cut	Restore
	5	Child Care Rates	$3,977,578	$3,977,578
SS				
	10	Smart Start Funding	$25,000,000	$20,000,000
MH				
	15	Local Management Entities System Management Funds	$7,042,440	$4,000,000
	17	CAP/MR-DD State Supplemental Funds	$16,000,000	$8,000,000
	24	MHDDSA State Funded Services	$50,000,000	$50,000,000
	26	Direct Payment	$7,100,000	$7,100,000
Public Health				
	38	Local Health Dept Accreditation	$700,000	$700,000
	43	Early Hearing Program	$171,000	$171,000
	47	Second Dose Children Pox Vaccine	$1,223,027	$1,223,027
	51	Oral Health Program	$4,235,523	$4,235,523
	52	Medical Examiner	80,000	80,000
	53	Public Health Contract Fund	$10,500,000	$5,000,000
	56	Health Choice/ ER co-pay	$382,665	$382,665
	58	Health Choice Enrollment Freeze	$2,542,557	$2,542,557
	76	Advocacy Center	$115,000	$115,000
	78	NC Reach	$1,500,000	$1,500,000
	84	State Aid to Counties	$5,473,985	$5,473,985
	87	Foster Rate	1,174,026	$1,174,026
	92	Family Resource Center Funds - Beginnings	$229,151	$229,151
VR				
	104	VR Support Case Services	$3,612,025	$3,612,025
	105	VR Independent Living	$1,500,000	$1,500,000
Aging and Adult Services				
	112	Reduce Home and Community Care Block Grant	$2,594,744	$2,594,744
Provider Rates				
	120	Provider Rates	$148,393,793	$65,791,000

	Item Number	Name	Cut	Restore
Medicaid				
	121	In Home PCS	$49,341,460	$34,000,000
	122	Personal Care Services in Adult Care Homes	$10,000,000	$8,000,000
	124	Eliminates PT/OT/ST	$15,633,333	$15,633,333
	126	Adult Optical	$3,201,911	$3,201,911
	130	Dental Coverage	$15,879,224	$15,879,224
	132	Dental Policy Adjustments	$3,689,582	$3,689,582
	133	Orthotics and Prosthetics Coverage	$2,267,877	$2,267,877
	134	Medicaid/ ER Co-pay	$2,975,070	$2,975,070
	138	CCNC	$89,000.00	$23,450,722
	147	Provider Fees	$1,500,000	$1,500,000
TOTAL				**$300,000,000**

GENERAL ASSEMBLY OF NORTH CAROLINA

SPECIAL PROVISIONS
APPROPRIATIONS SUBCOMMITTEE ON HEALTH AND HUMAN SERVICES
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JUNE 4, 2009

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GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2009

DRAFT
SPECIAL PROVISION

2009-DHHS-H45(S10.1)i

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

CHILD CARE SUBSIDY RATES

SECTION 10.1.(a) The maximum gross annual income for initial eligibility, adjusted biennially, for subsidized child care services shall be seventy-five percent (75%) of the State median income, adjusted for family size.

SECTION 10.1.(b) Fees for families who are required to share in the cost of care shall be established based on a percent of gross family income and adjusted for family size. Fees shall be determined as follows:

FAMILY SIZE	PERCENT OF GROSS FAMILY INCOME
1-3	10%
4-5	9%
6 or more	8%.

SECTION 10.1.(c) Payments for the purchase of child care services for low-income children shall be in accordance with the following requirements:

(1) Religious-sponsored child care facilities operating pursuant to G.S. 110-106 and licensed child care centers and homes that meet the minimum licensing standards that are participating in the subsidized child care program shall be paid the one-star county market rate or the rate they charge privately paying parents, whichever is lower.

(2) Licensed child care centers and homes with two or more stars shall receive the market rate for that rated license level for that age group or the rate they charge privately paying parents, whichever is lower.

(3) Nonlicensed homes shall receive fifty percent (50%) of the county market rate or the rate they charge privately paying parents, whichever is lower.

(4) Maximum payment rates shall also be calculated periodically by the Division of Child Development for transportation to and from child care provided by the child care provider, individual transporter, or transportation agency, and for fees charged by providers to parents. These payment rates shall be based upon information collected by market rate surveys.

SECTION 10.1.(d) Provisions of payment rates for child care providers in counties that do not have at least 50 children in each age group for center-based and home-based care are as follows:

(1) Except as applicable in subdivision (2) of this subsection, payment rates shall be set at the statewide or regional market rate for licensed child care centers and homes.

(2) If it can be demonstrated that the application of the statewide or regional market rate to a county with fewer than 50 children in each age group is lower than the county market rate and would inhibit the ability of the county

to purchase child care for low-income children, then the county market rate may be applied.

SECTION 10.1.(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 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.

SECTION 10.1.(f) Facilities licensed pursuant to Article 7 of Chapter 110 of the General Statutes and facilities operated pursuant to G.S. 110-106 may participate in the program that provides for the purchase of care in child care facilities for minor children of needy families. No separate licensing requirements shall be used to select facilities to participate. In addition, child care facilities shall be required to meet any additional applicable requirements of federal law or regulations. Child care arrangements exempt from State regulation pursuant to Article 7 of Chapter 110 of the General Statutes shall meet the requirements established by other State law and by the Social Services Commission.

County departments of social services or other local contracting agencies shall not use a provider's failure to comply with requirements in addition to those specified in this subsection as a condition for reducing the provider's subsidized child care rate.

SECTION 10.1.(g) Payment for subsidized child care services provided with Work First Block Grant funds shall comply with all regulations and policies issued by the Division of Child Development for the subsidized child care program.

SECTION 10.1.(h) Noncitizen families who reside in this State legally shall be eligible for child care subsidies if all other conditions of eligibility are met. If all other conditions of eligibility are met, noncitizen families who reside in this State illegally shall be eligible for child care subsidies only if at least one of the following conditions is met:

(1) The child for whom a child care subsidy is sought is receiving child protective services or foster care services.

(2) The child for whom a child care subsidy is sought is developmentally delayed or at risk of being developmentally delayed.

(3) The child for whom a child care subsidy is sought is a citizen of the United States.

DRAFT
SPECIAL PROVISION

2009-DHHS-H46(S10.2)

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

CHILD CARE ALLOCATION FORMULA

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

(1) Funds shall be allocated to a county based upon the projected cost of serving children under age 11 in families with all parents working who earn less than seventy-five percent (75%) of the State median income.

(2) No county's allocation shall be less than ninety percent (90%) of its State fiscal year 2001-2002 initial child care subsidy allocation.

SECTION 10.2.(b) The Department of Health and Human Services may reallocate unused child care subsidy voucher funds in order to meet the child care needs of low-income families. Any reallocation of funds shall be based upon the expenditures of all child care subsidy voucher funding, including Smart Start funds, within a county.

SECTION 10.2.(c) Notwithstanding subsection (a) of this section, the Department of Health and Human Services shall allocate up to twenty million dollars ($20,000,000) in federal block grant funds and State funds appropriated for fiscal years 2009-2010 and 2010-2011 for child care services. These funds shall be allocated to prevent termination of child care services. Funds appropriated for specific purposes, including targeted market rate adjustments given in the past, may also be allocated by the Department separately from the allocation formula described in subsection (a) of this section.

DRAFT
SPECIAL PROVISION - **2009-DHHS-H47(S10.3)i**

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: **Representative**

CHILD CARE FUNDS MATCHING REQUIREMENT

SECTION 10.3. No local matching funds may be required by the Department of Health and Human Services as a condition of any locality's receiving its initial allocation of child care funds appropriated by this act unless federal law requires a match. 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 percent (20%) 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).

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2009

DRAFT
SPECIAL PROVISION

2009-DHHS-H48(S10.4)

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: **Representative**

FACILITATE AND EXPEDITE USE OF CHILD CARE SUBSIDY FUNDS

SECTION 10.4. The Division of Child Development of the Department of Health and Human Services shall adopt temporary policies that facilitate and expedite the prudent expenditure of child care subsidy funds. These policies will address the following:

(1) Permitting the local purchasing agencies to issue time-limited vouchers to assist counties in managing onetime, nonrecurring subsidy funding.

(2) Extending the current 30/60 day job search policy to six months when a recipient experiences a loss of employment.

(3) Providing an upfront job search period of six months for applicants who have lost employment since October 1, 2008.

(4) Providing a job search period of six months for recipients that complete school and are entering the job market.

(5) Notwithstanding any other provision of law, extending the 24-month education time limit for an additional 12 months for a child care recipient who has lost a job since October 1, 2008, or otherwise needs additional training to enhance his or her marketable skills for job placement due to the economic downturn and who has depleted his or her 24-month allowable education time.

(6) Lowering the number of hours a parent must be working in order to be eligible for subsidy to assist parents who are continuing to work but at reduced hours.

DRAFT
SPECIAL PROVISION

2009-DHHS-H49(S10.5)i

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

CHILD CARE REVOLVING LOAN

SECTION 10.5. Notwithstanding any law to the contrary, funds budgeted for the Child Care Revolving Loan Fund may be transferred to and invested by the financial institution contracted to operate the Fund. The principal and any income to the Fund may be used to make loans, reduce loan interest to borrowers, serve as collateral for borrowers, pay the contractor's cost of operating the Fund, or pay the Department's cost of administering the program.

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES ENHANCEMENTS

SECTION 10.7.(a) Administrative costs shall be equivalent to, on an average statewide basis for all local partnerships, not more than eight percent (8%) of the total statewide allocation to all local partnerships. For purposes of this subsection, administrative costs shall include costs associated with partnership oversight, business and financial management, general accounting, human resources, budgeting, purchasing, contracting, and information systems management.

SECTION 10.7.(b) The North Carolina Partnership for Children, Inc., and all local partnerships shall use competitive bidding practices in contracting for goods and services on contract amounts as follows:

(1) For amounts of five thousand dollars ($5,000) or less, the procedures specified by a written policy to be developed by the Board of Directors of the North Carolina Partnership for Children, Inc.

(2) For amounts greater than five thousand dollars ($5,000), but less than fifteen thousand dollars ($15,000), three written quotes.

(3) For amounts of fifteen thousand dollars ($15,000) or more, but less than forty thousand dollars ($40,000), a request for proposal process.

(4) For amounts of forty thousand dollars ($40,000) or more, a request for proposal process and advertising in a major newspaper.

SECTION 10.7.(c) The North Carolina Partnership for Children, Inc., and all local partnerships shall, in the aggregate, be required to match no less than fifty percent (50%) of the total amount budgeted for the program in each fiscal year of the biennium as follows: contributions of cash equal to at least fifteen percent (15%) and in-kind donated resources equal to no more than five percent (5%) for a total match requirement of twenty percent (20%) for each fiscal year. The North Carolina Partnership for Children, Inc., may carry forward any amount in excess of the required match for a fiscal year in order to meet the match requirement of the succeeding fiscal year. Only in-kind contributions that are quantifiable shall be applied to the in-kind match requirement. Volunteer services may be treated as an in-kind contribution for the purpose of the match requirement of this subsection. Volunteer services that qualify as professional services shall be valued at the fair market value of those services. All other volunteer service hours shall be valued at the statewide average wage rate as calculated from data compiled by the Employment Security Commission in the Employment and Wages in North Carolina Annual Report for the most recent period for which data are available. Expenses, including both those paid by cash and in-kind contributions, incurred by other participating non-State entities contracting with the North Carolina Partnership for Children, Inc., or the local partnerships, also may be considered resources available to meet the required private match. In order to qualify to meet the required private match, the expenses shall:

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

Failure to obtain a twenty percent (20%) match by June 30 of each fiscal year shall result in a dollar-for-dollar reduction in the appropriation for the Program for a subsequent fiscal year. The North Carolina Partnership for Children, Inc., shall be responsible for compiling information on the private cash and in-kind contributions into a report that is submitted to the Joint Legislative Commission on Governmental Operations in a format that allows verification by the Department of Revenue. The same match requirements shall apply to any expansion funds appropriated by the General Assembly.

SECTION 10.7.(d) The Department of Health and Human Services shall continue to implement the performance-based evaluation system.

SECTION 10.7.(e) The Department of Health and Human Services and the North Carolina Partnership for Children, Inc., shall ensure that the allocation of funds for Early Childhood Education and Development Initiatives for State fiscal years 2009-2010 and 2010-2011 shall be administered and distributed in the following manner:

(1) Capital expenditures are prohibited for fiscal years 2009-2010 and 2010-2011. For the purposes of this section, "capital expenditures" means expenditures for capital improvements as defined in G.S. 143C-1-1(d)(5).
(2) Expenditures of State funds for advertising and promotional activities are prohibited for fiscal years 2009-2010 and 2010-2011.

SECTION 10.7.(f) A county may use the county's allocation of State and federal child care funds to subsidize child care according to the county's Early Childhood Education and Development Initiatives Plan as approved by the North Carolina Partnership for Children, Inc. The use of federal funds shall be consistent with the appropriate federal regulations. Child care providers shall, at a minimum, comply with the applicable requirements for State licensure pursuant to Article 7 of Chapter 110 of the General Statutes.

SECTION 10.7.(g) For fiscal years 2009-2010 and 2010-2011, The North Carolina Partnership for Children and the local partnerships shall spend at the level required in order to draw down all federal recovery funds for child care subsidies. The Department of Health and Human Services shall determine the level of funds that need to be expended in order to draw down all federal recovery funds.

TASK FORCE ON THE CONSOLIDATION OF EARLY CHILDHOOD EDUCATION AND CARE

SECTION 10.7A.(a) Intent. It is the intent of the General Assembly that not later than July 1, 2010, certain agencies and programs relating to early childhood education and care shall be consolidated.

SECTION 10.7A.(b) Task Force Established. There is established the Joint Legislative Task Force on the Consolidation of Early Childhood Education and Care (Task Force). The Department of Health and Human Services and the Department of Public Instruction shall work with the Task Force to develop a Consolidation Plan (Plan) to implement the Plan as approved by the 2010 Regular Session of the 2009 General Assembly.

SECTION 10.7A.(c) Task Force Membership.

(1) Appointments to the Task Force shall be as follows:
   a. Three members of the House of Representatives appointed by the Speaker of the House of Representatives.
   b. Three members of the Senate appointed by the President Pro Tempore of the Senate.
   c. Three members appointed by the Governor.

(2) Ex-officio members. For the purpose of providing needed expertise and advising, but also to avoid potential conflicts of interest, the following members shall serve as ex officio nonvoting members, appointed by the Governor.
   a. A representative of the Division of Child Development of the Department of Health and Human Services.
   b. A representative of the Department of Public Instruction.
   c. A representative of a local board of education.
   d. A representative of institutions of higher education appointed by the Board of Governors of The University of North Carolina.
   e. A representative of local providers of early childhood education and development services.
   f. A representative from Head Start agencies located in the State, including migrant and seasonal Head Start programs and Indian Head Start programs.
   g. The State Director of the Head Start Collaboration.
   h. A representative of the State agency responsible for programs under part C of the Individuals with Disabilities Education Act (IDEA).
   i. A representative of the Division of Mental Health, Developmental Disabilities and Substance Abuse Services.

j. Any additional ad hoc members deemed beneficial to achieve the goals of the Task Force.

Appointments to the Task Force shall be made no later than September 1, 2009.

Vacancies in the Task Force or a vacancy as chair of the Task Force resulting from the resignation of a member or otherwise shall be filled in the same manner in which the original appointment was made.

SECTION 10.7A.(d) Duties of the Task Force.

(1) In consultation with the Department of Health and Human Services and the Department of Public Instruction, develop a Plan for a highly coordinated and efficient system of early childhood education and care.

(2) Not later than January 15, 2010, establish and appoint a transition team to implement the Plan approved by the General Assembly. The transition team shall be responsible for guiding the transition from the multi-agency/multi-program system now in place to a consolidated system and to ensure continuity and quality of existing services to young children, families, and early childhood programs and personnel.

(3) Adhere to the following principles in the development and implementation of the Plan approved by the General Assembly.
   a. Ensuring high quality programs.
   b. Ensuring core functions remain intact.
   c. Maintaining the strengths and effectiveness of each program.
   d. Identifying and proposing efficiencies.
   e. Identifying needed improvements.
   f. Streamlining administrative savings.
   g. Promoting a seamless delivery of services from birth through kindergarten.
   h. Any other principles the Task Force deems relevant.

(4) Consider the following agencies and functions for consolidation:
   a. The North Carolina Partnership for Children, Inc.
   b. The "More At Four" Program.
   c. Title I Prekindergarten programs.
   d. Preschool Exceptional Children.
   e. Early Intervention programs.
   f. Head Start Collaboration.
   g. Child Care Regulatory and Subsidy.
   h. Licensing and Regulatory Functions.
   i. Workforce Professional Development and Recognition.
   j. Quality Initiatives.

(5) Consult with appropriate State departments, agencies, and board representatives on issues related to early childhood education and care.

(6) In developing the Plan, review and consider the proposal included in Ensuring School Readiness for North Carolina's Children: Bringing the Parts Together to Create an Integrated Early Care and Education System, November, 2004.

SECTION 10.7A.(e) Chair; Meetings. – The Speaker of the House of Representatives and the President Pro Tempore of the Senate shall each designate one member to serve as cochair of the Task Force.

The cochairs shall call the initial meeting of the Task Force on or before October 1, 2009. The Task Force shall subsequently meet upon such notice and in such manner as its members determine. A majority of the members of the Task Force shall constitute a quorum.

SECTION 10.7A.(f) Expenses of Members. – Members of the Task Force shall receive per diem, subsistence, and travel allowances in accordance with G.S. 120-3.1, 138-5, or 138-6, as appropriate.

SECTION 10.7A.(g) Cooperation by Government Agencies. – The Task Force may call upon any department, agency, institution, or officer of the State or any political subdivision thereof for facilities, data, or other assistance.

SECTION 10.7A.(h) Report. – The Task Force shall report its findings and recommendations by January 15, 2010, to Joint Legislative Oversight Committee on Government Operations, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, the House of Representatives Subcommittee on Education, the Senate Appropriations Committee on Education, and the Fiscal Research Division. The Task Force shall terminate upon filing its final report.

SECTION 10.7A.(i) Proposal. -- After reviewing the report submitted by the Task Force, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Education, and the Senate Appropriations Committee on Education shall develop language and a budget proposal by May 30, 2010, to present to the 2010 Regular Session of the 2009 General Assembly to implement the consolidation of early childhood education and care programs, which consolidation shall become effective July 1, 2010.

SECTION 10.7A.(j) Funding. – The Legislative Services Officer shall allocate funds to carry out the duties of the Task Force.

SECTION 10.7A.(k) Effective date. This section becomes effective July 1, 2009. Effective July 1, 2010, the Consolidation as contained in the Plan approved by the 2010 Regular Session of the 2009 General Assembly, shall be implemented.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2009

DRAFT
SPECIAL PROVISION

2009-DHHS-H50(S10.10)i

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

ADMINISTRATIVE ALLOWANCE FOR COUNTY DEPARTMENTS OF SOCIAL SERVICES

SECTION 10.10. The Division of Child Development of the Department of Health and Human Services shall increase the allowance that county departments of social services may use for administrative costs from four percent (4%) to five percent (5%) of the county's total child care subsidy funds allocated in the Child Care Development Fund Block Grant plan. The increase shall be effective for the 2009-2010 fiscal year.

DRAFT
SPECIAL PROVISION

2009-DHHS-H32(S10.12)

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

MENTAL HEALTH CHANGES

SECTION 10.12.(a) For the purpose of mitigating cash flow problems that many non-single-stream local management entities (LMEs) experience at the beginning of each fiscal year, the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall adjust the timing and method by which allocations of service dollars are distributed to each non-single-stream LME. To this end, the allocations shall be adjusted such that at the beginning of the fiscal year the Department shall distribute not less than one-twelfth of the LME's continuation allocation and subtract the amount of the adjusted distribution from the LME's total reimbursements for the fiscal year.

SECTION 10.12.(b) The Department shall evaluate the need to continue the temporary operation of Wake Hospital for one additional year and provide a recommendation to the Governor no later than February 15, 2010. Notwithstanding any other provision of law to the contrary, the Office of State Budget and Management shall establish the positions for the hospital unit on the Dorothea Dix campus as time-limited positions.

SECTION 10.12.(c) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, the sum of fourteen million one hundred forty-nine thousand one hundred fifteen dollars ($14,149,115) for the 2009-2010 fiscal year and the sum of fourteen million one hundred forty-nine thousand one hundred fifteen dollars ($14,149,115) for the 2010-2011 fiscal year shall be allocated for the purchase of local inpatient psychiatric beds or bed days. These beds or bed days shall be distributed across the State according to need as determined by the Department. The Department shall enter into contracts with the LMEs and community hospitals for the management of these beds or bed days. Local inpatient psychiatric beds or bed days shall be managed and controlled by the LME, including the determination of which local or State hospital the individual should be admitted to pursuant to an involuntary commitment order. Funds shall not be allocated to LMEs but shall be held in a statewide reserve at the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to pay for services authorized by the LMEs and billed by the hospitals through the LMEs. LMEs shall remit claims for payment to the Division within 15 working days of receipt of a clean claim from the hospital and shall pay the hospital within 30 working days of receipt of payment from the Division. If the Department determines (i) that an LME is not effectively managing the beds or bed days for which it has responsibility, as evidenced by beds or bed days in the local hospital not being utilized while demand for services at the State psychiatric hospitals has not reduced, or (ii) the LME has failed to comply with the prompt payment provisions of this subsection, the Department may contract with another LME to manage the beds or bed days, or, notwithstanding any other provision of law to the contrary, may pay the hospital directly. The Department shall develop reporting requirements for LMEs regarding

the utilization of the beds or bed days. Funds appropriated in this section for the purchase of local inpatient psychiatric beds or bed days shall be used to purchase additional beds or bed days not currently funded by or through LMEs and shall not be used to supplant other funds available or otherwise appropriated for the purchase of psychiatric inpatient services under contract with community hospitals, including beds or bed days being purchased through Hospital Utilization Pilot funds appropriated in S.L. 2007-323. Not later than March 1, 2010, the Department shall report to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate, the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, and the Fiscal Research Division on a uniform system for beds or bed days purchased (i) with local funds, (ii) from existing State appropriations, (iii) under the Hospital Utilization Pilot, and (iv) purchased using funds appropriated under this subsection.

SECTION 10.12.(d) The Secretary of the Department of Health and Human Services shall not take any action prior to January 1, 2010, that would result in the merger or consolidation of LMEs operating on January 1, 2008, or that would establish consortia or regional arrangements for the same purpose, except that LMEs that do not meet the catchment area requirements of G.S. 122C-115 as of January 1, 2010, may initiate, continue, or implement the LMEs' merger or consolidation plans to overcome noncompliance with G.S. 122C-115. This subsection does not prohibit LME's from voluntarily merging if they are contiguous or consolidating administrative functions.

SECTION 10.12.(e)

(1) The Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services shall create an "incurred but not reported" category of expenditures such that services are paid based on the actual date of services rather than the date when the invoice is received. The Department may only implement this change with the approval of the Office of State Budget and Management.

(2) The Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services may require that providers of mental health, developmental disabilities, and substance abuse services submit bills to the LME for State-funded services within 60 days of the date the services were provided.

SECTION 10.12.(f) The Department of Health and Human Services may create a midyear process by which it can reallocate State service dollars away from LMEs that do not appear to be on track to spend the LMEs' full appropriation and towards LMEs that appear able to spend the additional funds.

SECTION 10.12.(g)

(1) The Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall continue implementation of the current Supports Intensity Scale (SIS) assessment tool pilot project if the pilot project has demonstrated that the SIS tool:

a. Is effective in identifying the appropriate array and intensity of services, including residential supports or placement, for individuals assessed.

b. Is valid for determining intensity of support related to resource allocation for CAP-MR/DD, public and private ICF-MR facilities, developmental disability group homes, and other State- or federally funded services.

c. Is used by an assessor that does not have a pecuniary interest in the determinations resulting from the assessment.

d. Determines the level of intensity and type of services needed from developmental disability service providers.

(2) The Department shall report on the progress of the pilot project by May 1, 2010. The Department shall submit the report to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division. The report shall include the following:

a. The infrastructure that will be needed to assure that the administration of the assessment tool is independent from service delivery, the qualifications of assessors, training and management of data, and test-retest accountability.

b. The cost to: (i) purchase the tool, (ii) implement the tool, (iii) provide training, and (iv) provide for future expansion of the tool statewide.

DRAFT
SPECIAL PROVISION

2009-DHHS-H54(S10.13)i

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

REENACT 2007 SPECIAL PROVISION ON COLLABORATION ON SCHOOL-BASED CHILD AND FAMILY TEAM INITIATIVE

SECTION 10.13. Section 10.9 of S.L. 2007-323 is reenacted for the 2009-2011 fiscal biennium.

DRAFT
SPECIAL PROVISION

2009-DHHS-H31(S10.15)

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

SUBSTANCE ABUSE TASK FORCE RECOMMENDATIONS/AVAILABILITY OF SUBSTANCE ABUSE TREATMENT

SECTION 10.15.(a) Consistent with G.S. 122C-2, the General Assembly strongly encourages Local Management Entities (LMEs) to use a portion of the funds appropriated for substance abuse treatment services to support prevention and education activities.

SECTION 10.15.(b) An LME may use up to one percent (1%) of funds allocated to it for substance abuse treatment services to provide nominal incentives for consumers who achieve specified treatment benchmarks, in accordance with the federal substance abuse and mental health services administration best practice model entitled Contingency Management.

SECTION 10.15.(c) In providing treatment and services for adult offenders and increasing the number of Treatment Accountability for Safer Communities (TASC) case managers, local management entities shall consult with TASC to improve offender access to substance abuse treatment and match evidence-based interventions to individual needs at each stage of substance abuse treatment. Special emphasis should be placed on intermediate punishment offenders, community punishment offenders at risk for revocation, and Department of Correction (DOC) releasees who have completed substance abuse treatment while in custody.

SECTION 10.15.(d) In providing drug treatment court services, LMEs 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. During the 52-week drug treatment court program, participants shall receive an array of treatment and aftercare services that meets the participant's level of need, including step-down services that support continued recovery.

DRAFT
SPECIAL PROVISION

2009-DHHS-H55(S10.16)i

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

TOTAL QUALITY MANAGEMENT

SECTION 10.16. The Secretary of the Department of Health and Human Services shall implement a Total Quality Management Program in hospitals and other State facilities for the purpose of providing a high level of customer service by well-trained staff throughout the organization. The focus of this management approach shall be on meeting customer needs by providing high-quality services.

The Department shall involve staff at all levels of the organization by soliciting suggestions and input into decision making by managers. The Department shall create staff committees composed of a representative distribution of rank and file employees, to evaluate policy changes and identify training opportunities and other necessary improvements.

The Department shall submit a report on the status of the Total Quality Management Program, including any activities associated with its implementation within State facilities, to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, and the Fiscal Research Division not later than December 1, 2009.

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: **Representative**

IOM STUDIES

SECTION 10.18.(a) Funds appropriated in this act to the Department of Health and Human Services for North Carolina Institute of Medicine (NCIOM) may be used to study the following:

(1) The availability of Medicaid and State-funded mental health, developmental disability, and substance abuse services to active duty, reserve, and veteran members of the military and National Guard. The study should discuss the current availability of services, the extent of use, and any gaps in services.

(2) Issues related to cost, quality, and access to appropriate and affordable health care for all North Carolinians. The NC Institute of Medicine (IOM) may use funds appropriated for the 2007-2009 fiscal biennium to continue the work of its Health Access Study Group to study these issues. The Health Access Study Group may include in its study the matters contained in Sections 31.1, 31.2, and 31.3 of S.L. 2008-181, and may also monitor federal health-related legislation to determine how the legislation would impact costs, quality, and access to health care.

(3) Short-term and long-term strategies to address issues within adult care homes that provide residence to persons who are frail and elderly and to persons suffering from mental illness.

SECTION 10.18.(b) The Institute shall make an interim report to the Governor's Office, the Joint Legislative Health Care Oversight Committee, and the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services no later than January 15, 2010, which may include recommendations and proposed legislation, and shall issue its final report with findings, recommendations, and suggested legislation to the 2011 General Assembly upon its convening. In the event members of the General Assembly serve on the IOM Health Access Study Group, they shall receive per diem, subsistence, and travel allowances in accordance with G.S. 120-3.1. The Health Access Study Group may include in its study the matters contained in Sections 31.1, 31.2, and 31.3 of S.L. 2008-181, and may also monitor federal health-related legislation to determine how the legislation would impact costs, quality, and access to health care.

DRAFT
SPECIAL PROVISION

2009-DHHS-H12

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: **Representative**

ALLOCATION OF RECURRING CUT IN MH/DD/SA SERVICES

SECTION 10.18A. The Division of Mental Health, Developmental Disabilities, and Substance Abuse Services shall allocate the fifty million dollars ($50,000,000) recurring reduction in services in an equitable manner across all LME's based on population and the current services funding allocation.

DRAFT
SPECIAL PROVISION

2009-DHHS-H4

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

TREATMENT OUTCOMES AND PROGRAM PERFORMANCE SYSTEM FORM REQUIREMENT CHANGE

SECTION 10.18B. For the 2009-2011 fiscal biennium only, the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall suspend the use of the North Carolina Treatment Outcomes and Program Performance Systems (TOPPS) form for mental health patients that do not have substance abuse issues.

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

MULTI-COUNTY LME FUND BALANCE REQUIREMENTS

SECTION 10.19A.(a) Notwithstanding any other provision of law to the contrary, requirements for the maintenance, deposit, and withdrawal from a multicounty LME's fund balance are as follows:

(1) The Department of Health and Human Services shall allocate the non-recurring reduction in State funds in each fiscal year on a pro rata basis to each multi-county LME based on the LME's fund balance. The Department shall not allocate State funds to the LME until the LME has supplanted its pro rata reduction from its fund balance to provide services to non-Medicaid eligible IPRS clients.

(2) LME's shall use funds in the LME's fund balance to supplant non-recurring reductions in State funds for the 2009-2010 fiscal year and the 2010-2011 fiscal year in an amount equal to or greater than the non-recurring reduction in State funds in each fiscal year. Fund balance funds used to supplant non-recurring reductions shall be used exclusively to provide services to LME clients. In no event shall the LME reduce or otherwise adversely affect services due to non-recurring reductions in State funds in each fiscal year.

(3) LME's shall not use fund balance funds for any purpose other than to provide services to LME clients, even if funds in the fund balance exceed what is necessary to provide services for the 2009-2010 and 2010-2011 fiscal years.

(4) The use of fund balance monies to provide services is subject to the prior approval of the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services. The Division shall track fund balance usage of each LME to ensure that the amount used from the fund balance in each fiscal year is at least equal to the nonrecurring reduction in State funds for that fiscal year, and is used to provide services and for no other purpose.

(5) Reimbursements received from the Department of Health and Human Services after July 1, 2009, for services provided in the 2008-2009, 2009-2010, and 2010-2011 fiscal years, shall not be deposited in the LME's fund balance but shall be used to continue to provide services in each fiscal year.

SECTION 10.19A.(b) The Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall require quarterly reporting from single county LME's in a format that will enable the Division to determine if any funds in the county's fund balance are funds allocated for but not used to provide mental health, developmental disabilities, and substance abuse services. The Department of Health and Human Services shall report the results of the quarterly reports to the

Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, 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 on or before May 1, 2010.

SECTION 10.19A.(c) The Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall develop categories reflecting the source and original purpose of MH/DD/SA funds in an LME or county fund balance.

DRAFT
SPECIAL PROVISION

2009-DHHS-H57(S10.20)i

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: **Representative**

TRANSITION OF UTILIZATION MANAGEMENT OF COMMUNITY-BASED SERVICES TO LOCAL MANAGEMENT ENTITIES

SECTION 10.20. Consistent with the findings of the Mercer evaluation of Local Management Entities (LMEs), the Department of Health and Human Services shall collaborate with LMEs to enhance their administrative capabilities to assume utilization management responsibilities for the provision of community-based mental health, developmental disabilities, and substance abuse services. The Department may, with approval of the Office of State Budget and Management, use funds available to implement this section.

DRAFT
SPECIAL PROVISION

2009-DHHS-H13

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

WESTERN REGIONAL MAINTENANCE OPERATIONS

SECTION 10.21A.(a) In coordination with Broughton Hospital, the Western School for the Deaf, the J. Iverson Riddle Developmental Center, and elected representatives of the workers in each trade assigned to Western Regional Maintenance (WRM), the Department of Health and Human Services shall develop and implement a plan for western regional maintenance operations that increases efficiency, improves facility support, and is more responsive to WRM customers. The plan shall provide for the following:

(1) WRM programs shall be decentralized;

(2) Staff shall be assigned directly to each facility and shall report to designated facility managers.

(3) Supervisors shall be responsible for filling work orders and supervising team members. Eliminate supervisor positions that are not needed to effectively carry-out all supervisory duties.

(4) Make available to each supported organization general maintenance workers to allow the completion of simple tasks without requiring work orders through a central location.

(5) The maintenance programs of each facility shall share equipment and expertise to the extent possible to achieve savings.

SECTION 10.21A.(b) The Department of Health and Human Services shall report on the implementation of these changes not later than October 1, 2009 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.

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

IMPLEMENTATION PLAN FOR FOUR TIERS OF CAP-MR/DD PROGRAM

SECTION 10.21B. For the purposes of improving efficiency in the expenditure of available funds and effectively identifying and meeting the needs of CAP-MR/DD eligible individuals, on or before January 1, 2010, the Department of Health and Human Services, Division of Medical Assistance, in conjunction with the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall submit a State Plan amendment to the Centers for Medicare and Medicaid services for the implementation of Tiers 1 through 4 of the CAP-MR/DD program. The State Plan amendment shall describe the implementation of Tiers 1 and 4 and the proposed implementation of Tiers 2 and 3, and revisions of Tier 4, and shall include detail on each of the following:

a. The array and intensity level of services that will be available under each of the four Tiers;
b. The range of costs for the array and intensity level of services under each of the four Tiers;
c. How the relative intensity of need for each current and future CAP-MR/DD eligible individual will be reliably determined; and
d. How the determination of intensity of need will be used to assign individuals appropriately into one of the four Tiers.

The Department may develop an application to the Centers for Medicare and Medicaid services for additional Medicaid waivers for Tiers 2 and 3 of CAP/MR-DD program. The Department shall not submit the application until after it has submitted the State Plan amendment required under this subdivision. Nothing in this subdivision obligates the General Assembly to appropriate additional funds for the CAP-MR/DD waiver.

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

CHANGES TO COMMUNITY-FOCUSED ELIMINATING HEALTH DISPARITIES INITIATIVE

SECTION 10.23.(a) Funds appropriated in this act from the General Fund to the Department of Health and Human Services for the Community-Focused Eliminating Health Disparities Initiative (CFEHDI) shall be used 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 the health status of 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.

SECTION 10.23.(b) Funds appropriated in this act to the Department of Health and Human Services, Division of Public Health, for the CFEHDI shall be awarded as a grant-in-aid to honor the memory of the following recently deceased members of the General Assembly: Bernard Allen, John Hall, Robert Holloman, Howard Hunter, Jeanne Lucas, and William Martin. These funds shall be used for concerted efforts to address large gaps in health status among North Carolinians who are African-American, as well as disparities among other minority populations in North Carolina.

SECTION 10.23.(c) The Department of Health and Human Services shall report on the following with respect to funds appropriated to the CFEHDI for the 2009-2010 fiscal year. The report shall address the following:

(1) Which community programs and local health departments received CFEHDI grants.
(2) The amount of funding each program or local health department received.
(3) Which of the minority populations were served by the programs or local health departments.
(4) Which counties were served by the programs or local health departments.
(5) What activities were planned and implemented by the programs or local health departments to fulfill the community focus of the CFEHDI program.
(6) How the activities implemented by the programs or local health departments fulfilled the goal of reducing health disparities among minority populations.

The report shall also include specific activities undertaken pursuant to subsection (a) of this section to address large gaps in health status among North Carolinians who are African-American and other minority populations in this State. The Department shall submit the report not later than March 15, 2010, 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.

DRAFT
SPECIAL PROVISION

2009-DHHS-H7(S10.25)

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

AIDS DRUG ASSISTANCE PROGRAM

SECTION 10.25.(a) For the 2009-2010 and 2010-2011 fiscal years, the Department may, within existing Aids Drug Assistance Program (ADAP) resources, adjust the financial eligibility criterion of the ADAP up to an amount not exceeding three hundred percent (300%) 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 a waiting list develops as a result of the eligibility criterion being raised, the Department shall give first priority to those individuals on the waiting list with income at or below one hundred twenty-five percent (125%) of the federal poverty level, and second priority to those individuals with income above one hundred twenty-five percent (125%) and at or below two hundred fifty percent (250%) of federal poverty guidelines.

SECTION 10.25.(b) The Department of Health and Human Services (DHHS) shall work with the Department of Correction (DOC) to use DOC funds to purchase pharmaceuticals for the treatment of DOC inmates with HIV/AIDS in a manner that allows these funds to be accounted for as State matching funds in DHHS drawing down federal Ryan White funds.

DRAFT
SPECIAL PROVISION

2009-DHHS-H59(S10.26)i

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

PUBLIC HEALTH IMPROVEMENT PLAN

SECTION 10.26.(a) The Department of Health and Human Services (DHHS) shall develop a five-year Public Health Improvement Plan (Plan) by March 31, 2010. In developing the Plan the Secretary shall:

(1) Adopt a list of services and activities performed by local health departments that qualify as core public health functions of statewide significance.

(2) Adopt a list of performance measures with the intent of improving health status indicators applicable to core public health functions of statewide significance that local health departments (LHDs) must provide.

(3) Identify a set of health status indicators to be given priority by LHDs.

Under the Plan, all priorities and health status indicators must incorporate as an essential activity the disparity of diseases amongst populations and locales.

SECTION 10.26.(b) In order for measurable benefits to be realized through the implementation of the Plan, the Plan shall include the adoption of levels of performance necessary to promote:

(1) Uniformity across local health departments,

(2) Best evidence-based services,

(3) National standards of performance,

(4) Innovations in public health practice, and

(5) Reduction of geographic and racial health disparities.

LHDs shall have the flexibility and opportunity to use the resources available to achieve the required performance measures in a manner that best suits the LHD.

SECTION 10.26.(c) The Plan will address the need to provide county health departments with financial incentives to encourage and increase local investment in public health functions. County governments shall not supplant existing local funding with State incentive resources. The Secretary may revise the list of activities and performance measures as appropriate, but before doing so, the Secretary shall provide a written explanation of the rationale for the addition, deletion, or revision.

SECTION 10.26.(d) In developing the Plan the Secretary shall establish and chair the Public Health Improvement Plan Task Force (Task Force), the members and expertise of which shall include:

(1) Local health departments,

(2) Department staff,

(3) Individuals and entities with expertise in the development of performance measures, accountability, and systems management,

(4) Experts in development of evidence-based medical guidelines or public health practice guidelines, and

(5) Individuals and entities that will be affected by the performance measures.

SECTION 10.26.(e) The implementation schedule for the Plan shall be as follows:

(1) July 1, 2009, establish the Task Force to develop the Plan,

(2) March 31, 2010, submit the Plan to the 2010 Regular Session of the 2009 General Assembly,

(3) July 1, 2010, implement the Plan, and

(4) November 15, 2011, and annually thereafter, report on Plan implementation.

SECTION 10.26.(f) The Department will identify the programmatic activities and funding in the Division of Public Health associated with the core functions and activities in the Plan. Funds associated with these activities shall be subject to a flexible spending formula adopted by the Department, as follows:

(1) Beginning in SFY 2010-2011, the flexible spending formula will begin to replace the current spending with a more effective method of funding public health activities at the local level and achieving the results expected.

(2) The Task Force shall identify a reliable and consistent source of State revenue to fund the flexible spending formula.

(3) If sufficient additional revenue is available to implement the Plan, a separate set-aside of available funds would be created. This set-aside would be available to contiguous LHDs that seek to address a specific women's health, child health, or adult health disease or chronic condition, and in doing so, choose to merge into a single Local Health District, thus saving administrative dollars to be focused on public health issues.

SECTION 10.26.(g) Funds appropriated to the Department for flexible spending shall be distributed to county health departments as follows:

(1) Each of the county health departments will receive a base amount to be determined by the DHHS.

(2) The balance of funds in the Flexible Spending Account is to be distributed to the counties on the basis of a formula that takes into consideration the following elements:

a. Population,

b. Per capita income,

c. Rates of:

1. Infant mortality,
2. Teenage pregnancy,
3. Tobacco use,
4. Cancer,
5. Heart disease,
6. Diabetes, and
7. Stroke.

d. Percent of minorities in the county,

e. Body Mass Index (BMI) of public school students, and

f. Other factors as the Secretary may find necessary to achieve the goals of the Plan.

(3) The use of the funds by the LHD would reflect the core public health functions. It will be incumbent upon the LHD to use the funds in a manner that assures its achievement of the performance measures adopted by the Secretary.

SECTION 10.26.(h) To ensure compliance with Department directives, the Task Force shall consider requiring each county health department to submit to the Secretary such data as the Secretary determines is necessary to allow the Secretary to assess whether the

county health department has used the funds in a manner consistent with achieving the performance measures associated with this Plan.

SECTION 10.26.(i) Beginning November 15, 2011, and biannually thereafter, the Secretary shall report to the Governor and the General Assembly on:

(1) The distribution of funds to LHDs,

(2) The use of these funds by LHDs,

(3) The specific effect the funding from this Plan has had on:

a. LHDs' performance,

b. Health status indicators, and

c. Health disparities.

The Secretary's initial report will focus on implementation. Subsequent reports will evaluate trends in performance and expenditures.

DRAFT
SPECIAL PROVISION

2009-DHHS-H16

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: **Representative**

REPLACEMENT OF RECEIPTS FOR CHILD DEVELOPMENT SERVICE AGENCIES

SECTION 20.26A. Receipts earned by the Child Development Service Agencies (CDSAs) from any public or private third party payor shall be budgeted on a recurring basis to replace reductions in State appropriations to CDSAs.

DRAFT
SPECIAL PROVISION

2009-DHHS-H60(S10.27)

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

HEALTH INFORMATION TECHNOLOGY

SECTION 10.27.(a) The Department of Health and Human Services, in cooperation with the State Chief Information Officer and the North Carolina Office of Economic Recovery and Investment, shall coordinate health information technology (HIT) policies and programs within the State of North Carolina. The Department's goal in coordinating State HIT policy and programs shall be to avoid duplication of efforts and to ensure that each State agency, public entity, and private entity that undertakes health information technology activities associated with the American Recovery and Reinvestment Act of 2009 (ARRA) does so within the area of its greatest expertise and technical capability, and in a manner that supports coordinated State and national goals, which shall include at least all of the following:

(1) Ensuring that patient health information is secure and protected, in accordance with applicable law.

(2) Improving health care quality, reducing medical errors, reducing health disparities, and advancing the delivery of patient-centered medical care.

(3) Providing appropriate information to guide medical decisions at the time and place of care.

(4) Ensuring meaningful public input into HIT infrastructure development.

(5) Improving the coordination of information among hospitals, laboratories, physician offices, and other entities through an effective infrastructure for the secure and authorized exchange of health care information.

(6) Improving public health services and facilitating early identification and rapid response to public health threats and emergencies, including bioterrorist events and infectious disease outbreaks.

(7) Facilitating health and clinical research.

(8) Promoting early detection, prevention, and management of chronic diseases.

SECTION 10.27.(b) The Department of Health and Human Services shall establish and direct a HIT management structure that is efficient and transparent and that is compatible with the Office of the National Health Coordinator for Information Technology (National Coordinator) governance mechanism. The HIT management structure shall be responsible for all of the following:

(1) Developing a State plan for implementing and ensuring compliance with national HIT standards, and for the most efficient, effective, and widespread adoption of HIT.

(2) Ensuring that (i) specific populations are effectively integrated into the State plan, including aging populations, populations requiring mental health services, and populations utilizing the public health system; and (ii)

unserved and underserved populations receive priority consideration for HIT support.

(3) Identifying all HIT stakeholders and soliciting feedback and participation from each stakeholder in the development of the State plan.

(4) Ensuring that existing HIT capabilities are considered and incorporated into the State plan.

(5) Identifying and eliminating conflicting HIT efforts where necessary.

(6) Identifying available resources for the implementation, operation, and maintenance of health information technology, including, but not limited to, the ARRA, with emphasis on identifying resources and available opportunities for North Carolina institutions of higher learning, including The University of North Carolina and its constituent institutions, notwithstanding G.S. 147-33.80.

(7) Ensuring that the appropriate State entities receive all the necessary information and support to successfully compete for funding included in the ARRA.

(8) Ensuring that potential State plan participants are aware of HIT policies and programs and the opportunity for improved health information technology.

(9) Monitoring HIT efforts and initiatives in other States and replicating successful efforts and initiatives in North Carolina.

(10) Monitoring the development of the National Coordinator's strategic plan and ensuring that all stakeholders are aware of and in compliance with its requirements.

(11) Monitoring the progress and recommendations of the HIT Policy and Standards Committees and ensuring that all stakeholders remain informed of the Committee's recommendations.

(12) Monitoring all studies and reports provided to the United States Congress and reporting to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on the impact of report recommendations on State efforts to implement coordinated HIT.

SECTION 10.27.(c) Beginning October 1, 2009, the Department of Health and Human Services shall provide quarterly written reports on the status of HIT efforts 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. The report shall include the following:

(1) Current status of federal HIT initiatives.

(2) Current status of State HIT efforts and initiatives among both public and private entities.

(3) A breakdown of current public and private funding sources and dollar amounts for State HIT initiatives.

(4) Department efforts to coordinate HIT initiatives within the State, and any obstacles or impediments to coordination.

(5) HIT research efforts being conducted within the State, and sources of funding for research efforts.

(6) Opportunities for stakeholders to participate in HIT funding and other efforts and initiatives during the next quarter.

(7) Issues associated with the implementation of HIT in North Carolina and recommended solutions to these issues.

DRAFT
SPECIAL PROVISION

2009-DHHS-H8(S10.28)

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

HOSPITAL-ACQUIRED INFECTIONS

SECTION 10.28. The Department of Health and Human Services shall apply for federal funds that are available through P.L. 111-15, the American Recovery and Reinvestment Act, to implement a mandatory Statewide hospital-acquired infections surveillance and reporting system, as recommended by the Joint Study Committee on Hospital Infection Control and Disclosure.

DRAFT
SPECIAL PROVISION

2009-DHHS-H9(S10.30)

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: **Representative**

FACILITATION OF ENROLLMENT AND REENROLLMENT OF ELIGIBLE CHILDREN IN MEDICAID AND NC HEALTH CHOICE

SECTION 10.30. The Department of Health and Human Services shall increase its efforts to simplify the eligibility determination and recertification process to facilitate the enrollment and reenrollment of eligible Medicaid and NC Health Choice individuals. The Department shall also:

(1) Explore various opportunities through public awareness campaigns and enlisting community organizations to alert families of the opportunities of Medicaid and NC Health Choice to provide preventive health care to their children; and

(2) Pursue opportunities in the federal Children's Health Insurance Program Reauthorization Act (CHIPRA) to enhance outreach efforts and enrollment for children in Medicaid and NC Health Choice. These enhancements may include funding for outreach and enrollment activities and implementation of the "Express Lane" option that uses agencies that determine eligibility for TANF, IV-D SNAP, Head Start, and School Lunch programs to enroll children.

DRAFT
SPECIAL PROVISION

2009-DHHS-H10(S10.31)

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

NC HEALTH CHOICE TRANSITION

SECTION 10.31.(a) The Secretary of the Department of Health and Human Services shall develop and implement a plan for assuming administrative responsibility for the North Carolina Health Choice for Children program by transitioning all administrative oversight activities from the Executive Administrator and Board of Trustees of the State Health Plan for Teachers and State Employees to the Division of Medical Assistance. The transition of all administrative oversight from the State Health Plan to the Division of Medical Assistance shall be completed not later than July 1, 2010. The Secretary shall report to the Joint Legislative Health Care Oversight Committee and the Committee on Employee Hospital and Medical Benefits at least 30 days prior to effecting the transition of the responsibilities for the administration from the Executive Administrator and Board of Trustees of the State Health Plan for Teachers and State Employees to the Department.

SECTION 10.31.(b) In consultation with the Department of Health and Human Services, Division of Medical Assistance, and other appropriate organizations, the Office of State Budget and Management (OSBM) shall conduct an independent analysis of the cost to determine appropriate staffing levels to manage and implement the transition of NC Health Choice from the State Health Plan to the Division to ensure that the transition of NC Health Choice occurs with minimal disruption and that the Division has adequate staffing and an organizational structure that fits with its existing structure. The Office of State Budget and Management shall report with staffing recommendations by March 1, 2010, 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.

DRAFT
SPECIAL PROVISION

2009-DHHS-H62(S10.33)i

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

NC HEALTH CHOICE MEDICAL POLICY

SECTION 10.33. Unless required for compliance with federal law, the Department shall not change medical policy affecting the amount, sufficiency, duration, and scope of NC Health Choice 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 one million dollars ($1,000,000) in total requirements for a given fiscal year, then the Department shall submit the proposed medical 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 one million dollars ($1,000,000) 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. For medical policy changes exceeding one million dollars ($1,000,000) in total requirements for a given fiscal year that are required for compliance with federal law, the Department shall submit the proposed medical policy or policy interpretation change with a five-year fiscal analysis to the Office of State Budget and Management prior to implementing the change. 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 one million dollars ($1,000,000).

DRAFT
SPECIAL PROVISION

2009-DHHS-H14(S10.34)

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: **Representative**

NC HEALTH CHOICE ENROLLMENT FREEZE

SECTION 10.34. The Department of Health and Human Services shall not enroll any more than 129,694 children in the NC Health Choice for Children Program during the 2009-2010 fiscal year.

DRAFT
SPECIAL PROVISION

2009-DHHS-H84(S10.35)

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

NCHC FUNDS REDUCTION/CCNC

SECTION 10.35.(a) Effective July 1, 2009, G.S. 108A-70.21(b) reads as rewritten:

"(b) Benefits. – Except as otherwise provided for eligibility, fees, deductibles, copayments, and other cost sharing charges, health benefits coverage provided to children eligible under the Program shall be equivalent to coverage provided for dependents under the Predecessor Plan.

In addition to the benefits provided under the Predecessor Plan, the following services and supplies are covered under the Health Insurance Program for Children established under this Part:

(1) Oral examinations, teeth cleaning, and topical fluoride treatments twice during a 12-month period, full mouth X-rays once every 60 months, supplemental bitewing X-rays showing the back of the teeth once during a 12-month period, sealants, extractions, other than impacted teeth or wisdom teeth, therapeutic pulpotomies, space maintainers, root canal therapy for permanent anterior teeth and permanent first molars, prefabricated stainless steel crowns, and routine fillings of amalgam or other tooth colored filling material to restore diseased teeth.

(1a) Orthognathic surgery to correct functionally impairing malocclusions when orthodontics was approved and initiated while the child was covered by Medicaid and the need for orthognathic surgery was documented in the orthodontic treatment plan.

(2) Vision: Scheduled routine eye examinations once every 12 months, eyeglass lenses or contact lenses once every 12 months, routine replacement of eyeglass frames once every 24 months, and optical supplies and solutions when needed. Optical services, supplies, and solutions must be obtained from licensed or certified ophthalmologists, optometrists, or optical dispensing laboratories. Eyeglass lenses are limited to single vision, bifocal, trifocal, or other complex lenses necessary for a Plan enrollee's visual welfare. Coverage for oversized lenses and frames, designer frames, photosensitive lenses, tinted contact lenses, blended lenses, progressive multifocal lenses, coated lenses, and laminated lenses is limited to the coverage for single vision, bifocal, trifocal, or other complex lenses provided by this subsection. Eyeglass frames are limited to those made of zylonite, metal, or a combination of zylonite and metal. All visual aids covered by this subsection require prior approval. Upon prior approval refractions may be covered more often than once every 12 months.

(3) Hearing: Auditory diagnostic testing services and hearing aids and accessories when provided by a licensed or certified audiologist,

otolaryngologist, or other approved hearing aid specialist. Prior approval is required for hearing aids, accessories, earmolds, repairs, loaners, and rental aids.

(4) Over the counter medications: Selected over the counter medications provided the medication is covered under the State Medical Assistance Plan. Coverage shall be subject to the same policies and approvals as required under the Medicaid program.

(5) Routine diagnostic examinations and tests: annual routine diagnostic examinations and tests, including x-rays, blood and blood pressure checks, urine tests, tuberculosis tests, and general health check-ups that are medically necessary for the maintenance and improvement of individual health are covered.

No benefits are to be provided for services and materials under this subsection that do not meet the standards accepted by the American Dental Association.

The Department shall provide services to children enrolled in the NC Health Choice Program through Community Care of North Carolina (CCNC) and shall pay Community Care of North Carolina providers for these services as allowed under Medicaid. The Department shall pay for these services only if sufficient information is available to the Department for utilization management of the services provided through CCNC."

SECTION 10.35.(b) The Department of Health and Human Services, Division of Medical Assistance, shall reduce or eliminate funding for per member, per month fees paid to Community Care of North Carolina (CCNC) if sufficient information is not available to the Department for utilization management of the provider services.

DRAFT
SPECIAL PROVISION

2009-DHHS-H85

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

REPORT ON DHHS POSITION ELIMINATIONS

SECTION 10.35A. The Secretary of the Department of Health and Human Services may achieve the savings from position eliminations by reducing a lesser number of positions than prescribed in the money report for Department of Health and Human Services. The Secretary shall report on the number of positions eliminated in the budget for FY2009-10. The report shall include the total number of positions, including positions filled and vacant positions, and savings generated through salary and fringe benefits and any severance paid out. The Secretary shall submit the report 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 on or before March 1, 2010.

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

COMMUNITY CARE OF NORTH CAROLINA

SECTION 10.36.(a) Given the primary care case management foundation established by Community Care of North Carolina (CCNC), the Department shall build upon that foundation to ensure quality care and cost control of CCNC by implementing the activities listed in subsection (b) of this section.

SECTION 10.36.(b) The Department shall contract with CCNC to manage the care of Medicaid recipients, through a per member, per month reimbursement. In the contract, the Department shall ensure that CCNC is striving to follow tenets adapted from the National Committee of Quality Assurance's (NCQA) national measures for Medical Homes Models. The CCNC networks must demonstrate proficiency in all of the following areas:

(1) Written standards for patient access and patient communication.
(2) Use of data to show patients are meeting these standards.
(3) Adoption and implementation of evidence-based guidelines for priority diseases and conditions identified by the Department.
(4) Active support, monitoring, follow-up, and documentation on patient self-management.
(5) Tracking system to test and identify abnormal results, and follow-up in a timely manner.
(6) Tracking referrals from and to other acute and long-term care facilities and providers, so as to provide continuous management of patient care.
(7) Measurement of clinical and/or service performance by physician or across a practice.
(8) Reporting performance according to baseline data and performance measures established by the Department's Independent Advisory Group across CCNC networks, practices, and physicians to achieve the maximum savings possible through improvement in the quality of care.

SECTION 10.36.(c) By July 1, 2009, or as soon as possible thereafter, the Department shall establish an Independent Advisory Group (IAG) for the purpose of developing targeted (i) baseline data, (ii) clinically acceptable performance measures that recognize nationally accredited treatment protocols, and (iii) patient, physician, and practice goals that improve quality of care, and realize necessary savings within Medicaid. The members of the IAG shall have demonstrated experience in actuarial analysis, health policy analysis, medical practice, hospital administration, or management of long-term chronic conditions. The IAG and the Department shall ensure the following:

(1) The IAG shall begin work immediately so that baseline data, clinically acceptable performance measures, and practice goals to improve quality and cost savings can be implemented no later than January 1, 2010.

(2) The Department shall prepare a report to the General Assembly on the baseline data, clinically acceptable performance measures, and practice goals adopted by the IAG, and the improved quality and cost savings expected as a result of their implementation. This report will be due January 31, 2010.

(3) The IAG shall establish baseline information and performance measures for the diseases and conditions listed in this subdivision, the focus of which shall be on Medicaid recipients who are children, adults, and those who are aged, blind, or disabled. The diseases and conditions shall include all of the following:

a. Asthma
b. Diabetes
c. Heart disease,
d. Chronic Obstructive Pulmonary Disease
e. Mental illness
f. Substance abuse
g. Obesity
h. High risk maternity care

(4) The baseline information, performance measures, and practice and physician goals developed for the continuing care of Medicaid recipients, who are also eligible for Medicare shall include attention to all of the following for this population:

a. Increased primary care visit rate
b. Hospital admission rate
c. Hospital readmission rate
d. Emergency department visit rate
e. Mortality rate
f. Prescription drug management, including:
    1. Number of prescriptions prescribed,
    2. Number of generic versus brand-name prescriptions, and
    3. Reconciliation of a patient's prescriptions between hospital, nursing facility, and primary care physician.

SECTION 10.36.(c1) Beginning July 1, 2010, and every six months thereafter, the Department shall submit a report to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division evaluating the performance of each of the 14 CCNC networks based upon (i) CCNC performance measures, (ii) performance measures adopted by the IAG, and (iii) nationally accepted evidence-based performance measures.

SECTION 10.36.(d) The Department shall conduct a Request for Proposal (RFP) process to solicit bids from qualified outside entities with proven experience in conducting actuarial and health care studies and evaluations to annually report on the Medicaid cost savings achieved by the CCNC networks during a 12-month period.

SECTION 10.36.(e) The contractor's report, information, and data shall be in a format that allows the Department to manipulate and assess the performance of CCNC as a whole and for its 14 networks individually. Not later than October 1, 2010, the Department shall provide 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 copies of the contractor's report for CCNC activities conducted during the 2009-2010 fiscal year. The Department shall provide these copies 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 annually thereafter.

SECTION 10.36.(f) Under the Children's Health Insurance Program Reauthorization Act, P.L. 111-1, the U.S. Secretary of Health and Human Services is directed to:

(1) Develop a standardized reporting format that encourages states to report information regarding the quality of pediatric health care delivered through the State Children's Health Insurance Program, and

(2) Establish a set of pediatric quality measures not later than January 1, 2011.

Given this directive, the IAG shall develop targeted baseline data, clinically acceptable performance measures that recognize nationally accredited treatment protocols, and patient, physician, and practice goals that improve quality of care, in order to realize necessary savings within North Carolina's Health Choice program. The IAG shall begin this effort so that baseline data, clinically acceptable performance measures, and practice goals to improve quality and cost savings can be implemented by July 1, 2010, the date on which the Department of Health and Human Services, Division of Medical Assistance assumes management responsibility of the Health Choice program from the State Health Plan.

DRAFT
SPECIAL PROVISION

2009-DHHS-H83(S10.37)

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

COMMUNITY HEALTH CENTER CHANGES

SECTION 10.37. Of the funds appropriated in this act for Community Health Grants, the sum of one million eight hundred sixty thousand dollars ($1,860,000) in recurring funds for the 2009-2010 fiscal year and the sum of one million eight hundred sixty thousand dollars ($1,860,000) for the 2010-2011 fiscal year shall be allocated as grants on a competitive basis to rural health centers, free clinics, public health departments, school-based health centers, qualified health centers, and other nonprofit organizations that provide primary care and preventive health services to uninsured and indigent persons.

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

LIABILITY INSURANCE

SECTION 10.38.(a) The Secretary of the Department of Health and Human Services, the Secretary of the Department of Environment and Natural Resources, and the Secretary of the Department of Correction may provide medical liability coverage not to exceed one million dollars ($1,000,000) per incident on behalf of employees of the Departments licensed to practice medicine or dentistry, on behalf of all licensed physicians who are faculty members of The University of North Carolina who work on contract for the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services for incidents that occur in Division programs, and on behalf of physicians in all residency training programs from The University of North Carolina who are in training at institutions operated by the Department of Health and Human Services. This coverage may include commercial insurance or self-insurance and shall cover these individuals for their acts or omissions only while they are engaged in providing medical and dental services pursuant to their State employment or training.

SECTION 10.38.(b) The coverage provided under this section shall not cover any individual for any act or omission that the individual knows or reasonably should know constitutes a violation of the applicable criminal laws of any state or the United States or that arises out of any sexual, fraudulent, criminal, or malicious act or out of any act amounting to willful or wanton negligence.

SECTION 10.38.(c) The coverage provided pursuant to this section shall not require any additional appropriations and shall not apply to any individual providing contractual service to the Department of Health and Human Services, the Department of Environment and Natural Resources, or the Department of Correction, with the exception that coverage may include physicians in all residency training programs from The University of North Carolina who are in training at institutions operated by the Department of Health and Human Services and licensed physicians who are faculty members of The University of North Carolina who work for the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services.

DRAFT
SPECIAL PROVISION

2009-DHHS-H65(S10.40)i

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

DHHS PAYROLL DEDUCTION FOR CHILD CARE SERVICES

SECTION 10.40. Subject to rules adopted by the State Controller, an employee of the Department of Health and Human Services may authorize, in writing, the periodic deduction from the employee's salary or wages for employment by the State, a designated lump sum to be paid to satisfy the cost of services received for child care provided by the Department.

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

MEDICAID MANAGEMENT INFORMATION SYSTEM (MMIS) FUNDS/IMPLEMENTATION OF MMIS

SECTION 10.41.(a) Of the funds appropriated in this act to the Department of Health and Human Services (Department) from prior year earned revenues received by the Department for the Medicaid Management Information System (MMIS), the sum of eleven million seventy-one thousand five hundred two dollars ($11,071,502) for fiscal year 2009-2010 and the sum of nine million eight hundred twenty thousand six hundred eighty-nine dollars ($9,820,689) for fiscal year 2010-2011 shall be (i) deposited to the Department's information technology budget code and (ii) used to match federal funds for the procurement, design, development, and implementation of the new MMIS system and to fund the central management of the project. In the event that the Department does not receive prior year earned revenues in these amounts, the Department is authorized with approval of the Office of State Budget and Management to use other over-realized receipts to the level appropriated in this act for MMIS expenditures.

SECTION 10.41.(b) The Department shall make full development of the replacement MMIS a top priority. During the development and implementation of MMIS, the Department shall develop plans to ensure the timely and effective implementation of enhancements to the system to provide the following capabilities:

(1) Receiving and tracking premium or other payments required by law.

(2) Compatibility with the administration of the Health Information System.

The Department shall make every effort to expedite the implementation of the enhancements. The Office of Information Technology Services shall work in cooperation with the Department to ensure the timely and effective implementation of the MMIS and enhancements. The contract between the Department and the contract vendor shall contain an explicit provision requiring that the MMIS have the capability to fully implement the administration of NC Health Choice, NC Kids' Care, Ticket to Work, Families Pay Part of the Cost of Services under the CAP-MR/DD, CAP Children's Program, and all relevant Medicaid waivers and the Medicare 646 waiver as it applies to Medicaid eligibles. The Department must have detailed cost information for each requirement before signing the contract. Any contract between the Department and a vendor for the MMIS that does not contain the explicit provision required under this subsection is void on its face. Notwithstanding any other provision of law to the contrary, the Secretary of the Department does not have the authority to sign a contract for the MMIS if the contract does not contain the explicit provision required under this section.

SECTION 10.41.(c) Notwithstanding G.S. 114-2.3, the Department shall engage the services of private counsel with the pertinent information technology and computer law expertise to review requests for proposals and to negotiate and review contracts associated with MMIS. The counsel engaged by the Department shall review the MMIS contract between the

Department and the vendor to ensure that the requirements of subsection (a) of this section are met in their entirety.

SECTION 10.41.(d) The Department shall develop a comprehensive schedule for the development and implementation of the MMIS that fully incorporates federal and State project management and review requirements. The Department shall ensure that the schedule is as accurate as possible. Any changes to the design, development, and implementation schedule shall be reported as part of the Department's quarterly MMIS reporting requirements. The Department shall submit the schedule to the Chairs of the House of Representatives Committee on Appropriations and the House of Representatives Subcommittee on Health and Human Services, the Chairs of the Senate Committee on Appropriations and the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division. Any change to key milestones in either schedule shall be immediately reported to the Chairs of the House of Representatives Committee on Appropriations and the House of Representatives Subcommittee on Health and Human Services, the Chairs of the Senate Committee on Appropriations and the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division with a full explanation of the reason for the change.

SECTION 10.41.(e) Beginning July 1, 2009, the Department shall make quarterly reports on changes in the functionality and projected costs of the MMIS. The first quarterly submission shall contain a final report on the contract award to include total costs and functionality of the MMIS. Each report shall be made to the Chairs of the House of Representatives Committee on Appropriations and the House of Representatives Subcommittee on Health and Human Services, the Chairs of the Senate Committee on Appropriations and the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division. A copy of the final report on the contract award shall also be submitted to the Joint Legislative Commission on Governmental Operations.

SECTION 10.41.(f) Upon initiation of the NC MMIS Program Reporting and Analytics Project and the Division of Health Services Regulation Project, the Department shall submit all reports regarding functionality, schedule, and cost in the next regular cycle of reporting identified in subsections (d) and (e) of this section. The Department shall ensure that the solution developed in the Reporting and Analytics Project supports the capability, in its initial implementation, to interface with the North Carolina Teachers' and State Employees' Health Plan. The costs for this capability shall be negotiated prior to the award of the Reporting and Analytics contract. The Reporting and Analytics solution must be completed simultaneously with the replacement MMIS.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2009

DRAFT
SPECIAL PROVISION

2009-DHHS-H69(S10.42)i

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

NORTH CAROLINA FAMILIES ACCESSING SERVICES THROUGH TECHNOLOGY (NC FAST) FUNDS

SECTION 10.42. The sum of eighteen million three hundred twenty-seven thousand four hundred seventy-eight dollars ($18,327,478) is appropriated from Budget Code 24441, Fund Code 2006, to the Department of Health and Human Services, Division of Central Management Services, for the 2009-2010 fiscal year. These funds shall be used for the development and implementation of North Carolina Families Accessing Services Through Technology (NC FAST). Funds will be placed in the Department's information technology budget code and will match federal funds for project implementation.

DRAFT
SPECIAL PROVISION

2009-DHHS-H20(S10.43)

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

PROGRAM ON PREVENTION OF ABUSE AND NEGLECT

SECTION 10.43.(a) The Children's Trust Fund, a program on prevention of abuse and neglect, is transferred from the Department of Public Instruction to the Division of Social Services in the Department of Health and Human Services, as if by a Type I transfer as defined in G.S. 143A-6, with all the elements of such a transfer.

SECTION 10.43.(b) G.S. 7B-1301 reads as rewritten:

"**§ 7B-1301. Program on Prevention of Abuse and Neglect.**

(a) The ~~State Board of Education~~ Department of Health and Human Services, through the ~~Department of Public Instruction~~ Division of Social Services, shall implement the Program on Prevention of Abuse and Neglect. The ~~Department of Public Instruction~~ Division of Social Services ~~subject to the approval of the State Board of Education,~~ shall provide the staff and support services for implementing this program.

(b) In order to carry out the purposes of this Article:

~~(1) The Department of Public Instruction shall review applications and make recommendations to the State Board of Education concerning the awarding of contracts under this Article.~~

(2) The ~~State Board of Education~~ Division of Social Services shall review applications and contract with public or private nonprofit organizations, agencies, schools, or with qualified individuals to operate community-based educational and service programs designed to prevent the occurrence of abuse and neglect. Every contract entered into by the ~~State Board of Education~~ Division of Social Services shall contain provisions that at least twenty-five percent (25%) of the total funding required for a program be provided by the administering organization in the form of in-kind or other services and that a mechanism for evaluation of services provided under the contract be included in the services to be performed. In addition, every proposal to the ~~Department of Public Instruction~~ Division of Social Services for funding under this Article shall include assurances that the proposal has been forwarded to the local department of social services for comment so that the ~~Department of Public Instruction~~ Division of Social Services may consider coordination and duplication of effort on the local level as criteria in making recommendations ~~to the State Board of Education~~.

(3) The ~~State Board of Education with the assistance of the Department of Public Instruction~~Division of Social Services shall develop appropriate guidelines and criteria for awarding contracts under this Article. These criteria shall include, but are not limited to: documentation of need within the proposed geographical impact area; diversity of geographical areas of programs funded under this Article; demonstrated effectiveness of the

proposed strategy or program for preventing abuse and neglect; reasonableness of implementation plan for achieving stated objectives; utilization of community resources including volunteers; provision for an evaluation component that will provide outcome data; plan for dissemination of the program for implementation in other communities; and potential for future funding from private sources.

(4) The ~~State Board of Education with the assistance of the Department of Public Instruction~~Division of Social Services shall develop guidelines for regular monitoring of contracts awarded under this Article in order to maximize the investments in prevention programs by the Children's Trust Fund and to establish appropriate accountability measures for administration of contracts.

(5) The ~~State Board of Education~~ Division of Social Services shall develop a State plan for the prevention of abuse and neglect for submission to the Governor, the President of the Senate, and the Speaker of the House of Representatives.

(c) To assist in implementing this Article, the ~~State Board of Education~~ Division of Social Services may accept contributions, grants, or gifts in cash or otherwise from persons, associations, or corporations. All monies received by the ~~State Board of Education~~ Division of Social Services from contributions, grants, or gifts and not through appropriation by the General Assembly shall be deposited in the Children's Trust Fund. Disbursements of the funds shall be on the authorization of the ~~State Board of Education or that Board's duly authorized representative~~ Department of Health and Human Services. In order to maintain an effective expenditure and revenue control, the funds are subject in all respects to State law and regulations, but no appropriation is required to permit expenditure of the funds.

(d) Programs contracted for under this Article are intended to prevent abuse and neglect of juveniles. Abuse and neglect prevention programs are defined to be those programs and services which impact on juveniles and families before any substantiated incident of abuse or neglect has occurred. These programs may include, but are not limited to:

(1) Community-based educational programs on prenatal care, perinatal bonding, child development, basic child care, care of children with special needs, and coping with family stress; and

(2) Community-based programs relating to crisis care, aid to parents, and support groups for parents and their children experiencing stress within the family unit.

(e) No more than twenty percent (20%) of each year's total awards may be utilized for funding State-level programs to coordinate community-based programs."

SECTION 10.43.(c) G.S. 7B-1302 reads as rewritten:

"**§ 7B-1302. Children's Trust Fund.**

(a) There is established a fund to be known as the "Children's Trust Fund," in the Department of State Treasurer, which shall be funded by a portion of the marriage license fee under G.S. 161-11.1 and a portion of the special license plate fee under G.S. 20-81.12. The money in the Fund shall be used by the ~~State Board of Education~~ Division of Social Services to fund abuse and neglect prevention programs so authorized by this Article.

(b) The Department of ~~Public Instruction~~ Health and Human Services shall report annually on revenues and expenditures of the Children's Trust Fund to the Joint Legislative Commission on Governmental Operations."

DRAFT
SPECIAL PROVISION

2009-DHHS-H36(S10.44)i

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

INTENSIVE FAMILY PRESERVATION SERVICES FUNDING AND PERFORMANCE ENHANCEMENTS

SECTION 10.44.(a) Notwithstanding the provisions of G.S. 143B-150.6, the Intensive Family Preservation Services (IFPS) Program shall provide intensive services to children and families in cases of abuse, neglect, and dependency where a child is at imminent risk of removal from the home and to children and families in cases of abuse where a child is not at imminent risk of removal. The Program shall be developed and implemented statewide on a regional basis. The IFPS shall ensure the application of standardized assessment criteria for determining imminent risk and clear criteria for determining out-of-home placement.

SECTION 10.44.(b) The Department of Health and Human Services shall require that any program or entity that receives State, federal, or other funding for the purpose of Intensive Family Preservation Services shall provide information and data that allows for:

(1) An established follow-up system with a minimum of six months of follow-up services.

(2) Detailed information on the specific interventions applied, including utilization indicators and performance measurement.

(3) Cost-benefit data.

(4) Data on long-term benefits associated with Intensive Family Preservation Services. This data shall be obtained by tracking families through the intervention process.

(5) The number of families remaining intact and the associated interventions while in IFPS and 12 months thereafter.

(6) The number and percentage by race of children who received Intensive Family Preservation Services compared to the ratio of their distribution in the general population involved with Child Protective Services.

SECTION 10.44.(c) The Department shall establish performance-based funding protocol and shall only provide funding to those programs and entities providing the required information specified in subsection (b) of this section. The amount of funding shall be based on the individual performance of each program.

SECTION 10.44.(d) The Department shall publish an annual report on the Intensive Family Preservation Services Program, including the information and data under subdivisions (b)(2) through (b)(6) of this section.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2009

DRAFT
SPECIAL PROVISION

2009-DHHS-H23(S10.45)

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

FOSTER CARE AND ADOPTION ASSISTANCE PAYMENTS

SECTION 10.45.(a) The maximum rates for State participation in the foster care assistance program are established on a graduated scale as follows:

(1) $390.00 per child per month for children aged birth through 5;
(2) $440.00 per child per month for children aged 6 through 12; and
(3) $490.00 per child per month for children aged 13 through 18.

SECTION 10.45.(b) The maximum rates for the State adoption assistance program are established consistent with the foster care rates as follows:

(1) $390.00 per child per month for children aged birth through 5;
(2) $440.00 per child per month for children aged 6 through 12; and
(3) $490.00 per child per month for children aged 13 through 18.

SECTION 10.45.(c) In addition to providing board payments to foster and adoptive families of HIV-infected children, as prescribed in Section 23.28 of Chapter 324 of the 1995 Session Laws, any additional funds remaining that were appropriated for this purpose shall be used to provide medical training in avoiding HIV transmission in the home.

SECTION 10.45.(d) The maximum rates for the State participation in HIV foster care and adoption assistance are established on a graduated scale as follows:

(1) $800.00 per child per month with indeterminate HIV status;
(2) $1,000 per child per month confirmed HIV-infected, asymptomatic;
(3) $1,200 per child per month confirmed HIV-infected, symptomatic; and
(4) $1,600 per child per month terminally ill with complex care needs.

SECTION 10.45.(e) The State and a county participating in foster care and adoption assistance shall each contribute fifty percent (50%) of the nonfederal share of the cost of care for a child placed by a county department of social services or child placing agency in a family foster home or residential child care facility. A county shall be held harmless from contributing fifty percent (50%) of the nonfederal share of the cost for a child placed in a family foster home or residential child care facility under an agreement with that provider as of October 31, 2008, until the child leaves foster care or experiences a placement change.

SECTION 10.45.(f) The Department of Health and Human Services may establish foster care and adoption assistance rates based on the United States Department of Agriculture (USDA) "Expenditures on Children by Families" index subject to State appropriations for each fiscal year.

SECTION 10.45.(g) This section becomes effective July 1, 2009, and applies to payments made on or after that date.

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

CHILD SUPPORT PROGRAM/ENHANCED STANDARDS

SECTION 10.46. G.S. 110-129.1(a) is amended by adding the following new subdivision to read:

"(a) In addition to other powers and duties conferred upon the Department of Health and Human Services, Child Support Enforcement Program, by this Chapter or other State law, the Department shall have the following powers and duties:

...

(8) Implement and maintain performance standards for each of the State and county child support enforcement offices across the State. The performance standards shall include the following:

a. Cost per collections.
b. Consumer satisfaction.
c. Paternity establishments.
d. Administrative costs.
e. Orders established.
f. Collections on arrearages.
g. Location of absent parents.
h. Other related performance measures.

The Department shall monitor the performance of each office and shall implement a system of reporting that allows each local office to review its performance as well as the performance of other local offices. The Department shall publish an annual performance report that includes the statewide and local office performance of each child support office."

DRAFT
SPECIAL PROVISION

2009-DHHS-H3

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: **Representative**

ELIMINATE STATE FUNDING FOR CHILD SUPPORT OFFICES

SECTION 10.46A.(a) G.S. 110-141 reads as rewritten:

"**§ 110-141. Effectuation of intent of Article.**

The North Carolina Department of Health and Human Services shall supervise the administration of ~~this~~ the program in accordance with federal law and shall cause the provisions of this Article to be effectuated and to secure child support from absent, deserting, abandoning and nonsupporting parents.

~~Effective July 1, 1986, the entity, whether the board of county commissioners or the Department of Health and Human Services, that is administering, or providing for the administration of, this program in each county on June 30, 1986, shall continue to administer, or provide for the administration of, this program in that county, with one exception. If a county program is being administered by the Department of Health and Human Services on June 30, 1986, and if the board of county commissioners of this county desires on or after that date to assume responsibility for the administration of the program, the board of county commissioners shall notify the Department of Health and Human Services between July 1 and September 1 of the current fiscal year. The obligations of the board of county commissioners to assume responsibility for the administration of the program shall not commence prior to July 1 of the subsequent fiscal year. Until that time, it is the responsibility of the Department of Health and Human Services to administer or provide for the administration of the program in the county.~~

Effective July 1, 2010, each child support enforcement program being administered by the Department of Health and Human Services on behalf of counties shall be administered, or the administration provided for, by the board of county commissioners of those counties. Until July 1, 2010, it shall be the responsibility of the Department of Health and Human Services to administer or provide for the administration of the program in those counties.

A county may negotiate alternative arrangements to the procedure outlined in G.S. 110-130 for designating a local person or agency to administer the provisions of this Article in that county."

SECTION 10.46A.(b) Counties affected by this section shall submit plans to the Department of Health and Human Services, Division of Social Services, no later than January 1, 2010, outlining the proposed operation of child support enforcement programs. The Division shall establish the criteria to be included within county plans for operations and review submitted plans to ensure the appropriate transitioning of administrative and programmatic responsibility.

DRAFT
SPECIAL PROVISION

2009-DHHS-H38(S10.47)i

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

CHILD CARING INSTITUTIONS

SECTION 10.47. Until the Social Services Commission adopts rules setting standardized rates for child caring institutions as authorized under G.S. 143B-153(8), the maximum reimbursement for child caring institutions shall not exceed the rate established for the specific child caring institution by the Department of Health and Human Services, Office of the Controller. In determining the maximum reimbursement, the State shall include county and IV-E reimbursements.

DRAFT
SPECIAL PROVISION

2009-DHHS-H39(S10.48)

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

SPECIAL CHILDREN ADOPTION FUND

SECTION 10.48. Part 4 of Article 2 of Chapter 108A of the General Statutes is amended by adding the following new section to read:

"**§ 108A-50.2. Special Children Adoption Fund.**

(a) Funds appropriated by the General Assembly in the Current Operations Appropriations Act shall be used to support the Special Children Adoption Fund. The Division of Social Services of the Department of Health and Human 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. No local match shall be required as a condition for receipt of these funds. In accordance with State rules for allowable costs, the Special Children Adoption Fund may be used for post-adoption services for families whose income exceeds two hundred percent (200%) of the federal poverty level.

(b) Of the total funds appropriated for the Special Children Adoption Fund each year, twenty percent (20%) of the total funds available shall be reserved for payment to participating private adoption agencies. If the funds reserved in this subsection for payments to private agencies have not been spent on or before March 31 of each State fiscal year, the Division of Social Services may reallocate those funds, in accordance with this section, to other participating adoption agencies.

(c) The Division of Social Services shall monitor the total expenditures in the Special Children Adoption Fund and redistribute unspent funds to ensure that the funds are used in accordance with the guidelines established in subsection (a) of this section."

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2009

DRAFT
SPECIAL PROVISION

2009-DHHS-H40(S10.49)i

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

LIMITATION ON STATE ABORTION FUND

SECTION 10.49. The limitations on funding of the performance of abortion established in Section 23.27 of Chapter 324 of the 1995 Session Laws, as amended by Section 23.8A of Chapter 507 of the 1995 Session Laws, apply to the 2009-2010 and 2010-2011 fiscal years.

DRAFT
SPECIAL PROVISION

2009-DHHS-H25(S10.50)

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

CHILD WELFARE POSTSECONDARY SUPPORT PROGRAM/USE OF ESCHEAT FUND

SECTION 10.50.(a) There is appropriated from the Escheat Fund income to the Department of Health and Human Services the sum of three million one hundred sixty-eight thousand two hundred fifty dollars ($3,168,250) for the 2009-2010 fiscal year and the sum of three million one hundred sixty-eight thousand two hundred fifty dollars ($3,168,250) for the 2010-2011 fiscal year. There is appropriated from the General Fund to the Department of Health and Human Services the sum of one million six hundred sixty-eight thousand two hundred fifty dollars ($1,668,250) for the 2010-2011 fiscal year. These funds shall be used to support the child welfare postsecondary support program for the educational needs of foster youth aging out of the foster care system and special needs children adopted from foster care after age 12 by providing assistance with the "cost of attendance" as that term is defined in 20 U.S.C. § 1087ll. The Department shall collaborate with the State Education Assistance Authority to develop policies and procedures for the distribution of these funds.

If the interest income generated from the Escheat Fund is less than the amounts referenced in this section, the difference may be taken from the Escheat Fund principal to reach the appropriations referenced in this section; however, under no circumstances shall the Escheat Fund principal be reduced below the sum required in G.S. 116B-6(f).

Funds appropriated by this section shall be allocated by the State Education Assistance Authority.

The purpose for which funds are appropriated under this section is in addition to other purposes for which Escheat Fund income is distributed under G.S. 116B-7 and shall not be construed to otherwise affect the distribution of funds under G.S. 116B-7.

Funds appropriated under this section from the Escheat Fund that remain uncommitted as of the end of a fiscal year shall be returned to the Escheat Fund.

SECTION 10.50.(b) Of the funds appropriated from the General Fund to the Department of Health and Human Services the sum of fifty thousand dollars ($50,000) for the 2009-2010 fiscal year and the sum of fifty thousand dollars ($50,000) for the 2010-2011 fiscal year shall be allocated to the North Carolina State Education Assistance Authority (SEAA). The SEAA shall use these funds only to perform administrative functions necessary to manage and distribute scholarship funds under the child welfare postsecondary support program.

SECTION 10.50.(c) Of the funds appropriated from the General Fund to the Department of Health and Human Services the sum of five hundred thousand dollars ($500,000) for the 2009-2010 fiscal year and the sum of five hundred thousand dollars ($500,000) for the 2010-2011 fiscal year shall be used to contract with an entity to develop and administer the child welfare postsecondary support program described under subsection (a) of this section, which development and administration shall include the performance of case management services.

SECTION 10.50.(d) Funds appropriated to the Department of Health and Human Services for the child welfare postsecondary support program shall be used only for students attending public institutions of higher education in this State.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2009

DRAFT
SPECIAL PROVISION

2009-DHHS-H27(S10.51)

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

TANF BENEFIT IMPLEMENTATION

SECTION 10.51.(a) The General Assembly approves the plan titled "North Carolina Temporary Assistance for Needy Families State Plan FY 2009-2011," prepared by the Department of Health and Human Services and presented to the General Assembly. The North Carolina Temporary Assistance for Needy Families State Plan covers the period October 1, 2009, through September 30, 2011. The Department shall submit the State Plan, as revised in accordance with subsection (b) of this section, to the United States Department of Health and Human Services, as amended by this act or any other act of the 2009 General Assembly.

SECTION 10.51.(b) The counties approved as Electing Counties in North Carolina's Temporary Assistance for Needy Families State Plan FY 2009-2011, as approved by this section are: Beaufort, Caldwell, Catawba, Lenoir, Lincoln, Macon, and Wilson.

SECTION 10.51.(c) Counties that submitted the letter of intent to remain as an Electing County or to be redesignated as an Electing County and the accompanying county plan for fiscal years 2009 through 2011, pursuant to G.S. 108A-27(e), shall operate under the Electing County budget requirements effective July 1, 2009. For programmatic purposes, all counties referred to in this subsection shall remain under their current county designation through September 30, 2009.

DRAFT
SPECIAL PROVISION

2009-DHHS-H29

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

OFFICE OF EDUCATION SERVICES/FUNDS TRANSFER AND CONSOLIDATION OF SCHOOLS.

SECTION 10.57B.(a) There is transferred from the Office of Education Services Trust Fund, Budget Code 66424, the sum of one hundred seventy-five thousand three hundred twenty-one dollars ($175,321) to the Office of Education Services General Fund, Budget Code 14424. These funds shall be used to support the operations of the North Carolina School for the Deaf at Morganton, Eastern North Carolina School for the Deaf at Wilson, and Governor Morehead School for the Blind. Donations and bequests to these schools shall be used in accordance with their designated purpose.

SECTION 10.57B.(b) The Department of Health and Human Services, Office of Education Services (OES) shall not enroll new students at the Governor Morehead School for the Blind during the 2009-2010 and 2010-2011 school years. During these years, the Office of Education Services shall allow the census to decline and prepare to close the Governor Morehead School for the Blind.

SECTION 10.57B.(c) OES shall develop a plan for the consolidation of the Governor Morehead School for the Blind (GMS) at the existing campuses of the North Carolina School for the Deaf at Morganton (NCSD) and the Eastern North Carolina School for the Deaf at Wilson (ENCSD). Within the GMs consolidation plan, OES shall accomplish all of the following:

(1) Determine the number of current students enrolled at GMS that would require continued residential instruction, and the number of students that could be more appropriately served within their area local education agencies (LEAs).

(2) Require GMS school staff to work in conjunction with LEAs and others to revise individualized educational plans for each student, as needed, and prepare a transition plan for every student.

(3) Collaborate with the Department of Public Instruction and affected LEAs to identify additional LEA resource requirements to appropriately educate transitioning GMS students.

(4) Prepare a budget for the consolidated residential schools for students who are deaf, blind, or deaf-blind, which itemizes instructional, residential, and other personnel requirements, operating requirements, and physical improvements to the campuses.

(5) Provide a specific timeline for the closure and transitioning of students currently enrolled at GMS.

(6) Identify alternative instructional and operational models to improve the quality of instruction at the consolidated residential schools, and to improve the capacities of LEAs to educate students who are deaf, blind, or deaf-blind.

Not later than May 1, 2010, OES shall report on each of the required components of the consolidation plan set forth in subdivisions (1) through (6) of this subsection to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division.

DRAFT
SPECIAL PROVISION

2009-DHHS-H64(S10.55)

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

NON-MEDICAID REIMBURSEMENT CHANGES

SECTION 10.55.(a) Providers of medical services under the various State programs, other than Medicaid, offering medical care to citizens of the State shall be reimbursed at rates no higher than those under the North Carolina Medical Assistance Program.

The Department of Health and Human Services may reimburse hospitals at the full prospective per diem rates without regard to the Medical Assistance Program's annual limits on hospital days. When the Medical Assistance Program's per diem rates for inpatient services and its interim rates for outpatient services are used to reimburse providers in non-Medicaid medical service programs, retroactive adjustments to claims already paid shall not be required.

Notwithstanding the provisions of this section, the Department of Health and Human Services may negotiate with providers of medical services under the various Department of Health and Human Services programs, other than Medicaid, for rates as close as possible to Medicaid rates for the following purposes: contracts or agreements for medical services and purchases of medical equipment and other medical supplies. These negotiated rates are allowable only to meet the medical needs of its non-Medicaid eligible patients, residents, and clients who require such services which cannot be provided when limited to the Medicaid rate.

Maximum net family annual income eligibility standards for services in these programs shall be as follows:

DSB Medical Eye Care	125% FPL
DSB Independent Living <55	125% FPL
DSB Independent Living 55>	200% FPL
DSB Vocational Rehabilitation	125% FPL
DVR Independent Living	125% FPL
DVR Vocational Rehabilitation	125% FPL

The Department of Health and Human Services shall contract at, or as close as possible to, Medicaid rates for medical services provided to residents of State facilities of the Department.

SECTION 55.(b) The Secretary shall reduce provider rates for medical and non-medical services rendered for the Medical Eye Care, Independent Living, and Vocational Rehabilitation programs within the Division of Services for the Blind, and Independent Living and Vocational Rehabilitation programs within the Division of Vocational Rehabilitation to achieve an overall rate reduction of 5.5% in fiscal year 2009-10 and 6.0% in fiscal year 2010-11.

DRAFT
SPECIAL PROVISION

2009-DHHS-H18(S10.56)

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

DIVISION OF SERVICES FOR THE DEAF AND HARD OF HEARING/FUNDS TRANSFER AND APPROPRIATION

SECTION 10.56.(a) Notwithstanding G.S. 62-157, on July 1, 2009, the State Controller shall transfer eight million five hundred thousand dollars ($8,500,000) from the Special Account for Telecommunications Relay Service to Nontax Budget Code 19978 (Intra State Transfers) to support General Fund appropriations for the 2009-2010 fiscal year.

SECTION 10.56.(b) The Department of Health and Human Services shall, pursuant to G.S. 62-157, file a petition with the North Carolina Utilities Commission to reset the surcharge provided for in G.S. 62-157 to maintain a reasonable margin for reserve for the operation of the statewide telecommunications relay service.

DRAFT
SPECIAL PROVISION

2009-DHHS-H19(S10.57)

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

STATE-COUNTY SPECIAL ASSISTANCE

SECTION 10.57.(a) The eligibility of Special Assistance recipients residing in adult care homes on August 1, 1995, shall not be affected by an income reduction in the Special Assistance eligibility criteria resulting from adoption of the Rate Setting Methodology Report and Related Services, provided these recipients are otherwise eligible. The maximum monthly rate for these residents in adult care home facilities shall be one thousand two hundred thirty-one dollars ($1,231) per month per resident.

SECTION 10.57.(b) Effective October 1, 2009, the maximum monthly rate for residents in adult care home facilities shall be one thousand one hundred seventy three dollars ($1,173) per month per resident unless adjusted by the Department in accordance with subsection (d) of this section. The eligibility of Special Assistance recipients residing in adult care homes on September 30, 2009, shall not be affected by an income reduction in the Special Assistance eligibility criteria resulting from the adoption of this maximum monthly rate, provided these recipients are otherwise eligible.

SECTION 10.57.(c) The maximum monthly rate for residents in Alzheimer/Dementia special care units shall be one thousand five hundred fifteen dollars ($1,515) per month per resident unless adjusted by the Department in accordance with subsection (d) of this section.

SECTION 10.57.(d) Notwithstanding any other provision of this section, the Department of Health and Human Services shall review activities and costs related to the provision of care in adult care homes and shall determine what costs may be considered to properly maximize allowable reimbursement available through Medicaid personal care services for adult care homes (ACH-PCS) under federal law. As determined, and with any necessary approval from the Centers for Medicare and Medicaid Services (CMS), and the approval of the Office of State Budget and Management, the Department may transfer necessary funds from the State-County Special Assistance program within the Division of Social Services to the Division of Medical Assistance and may use those funds as State match to draw down federal matching funds to pay for such activities and costs under Medicaid's personal care services for adult care homes (ACH-PCS), thus maximizing available federal funds. The established rate for State-County Special Assistance set forth in subsections (b) and (c) of this section shall be adjusted by the Department to reflect any transfer of funds from the Division of Social Services to the Division of Medical Assistance and related transfer costs and responsibilities from State-County Special Assistance to the Medicaid personal care services for adult care homes (ACH-PCS). Subject to approval by the Centers for Medicare and Medicaid Services (CMS) and prior to implementing this section, the Department may disregard a limited amount of income for individuals whose countable income exceeds the adjusted State-County Special Assistance rate. The amount of the disregard shall not exceed the difference between the Special Assistance rate prior to the adjustment and the Special Assistance rate after the

adjustment and shall be used to pay a portion of the cost of the ACH-PCS and reduce the Medicaid payment for the individual's personal care services provided in an adult care home. In no event shall the reimbursement for services through the ACH-PCS exceed the average cost of the services as determined by the Department from review of cost reports as required and submitted by adult care homes. The Department shall report any transfers of funds and modifications of rates to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division.

SECTION 10.57.(e) The Department of Health and Human Services shall recommend rates for State-County Special Assistance and for Adult Care Home Personal Care Services. The Department may recommend rates based on appropriate cost methodology and cost reports submitted by adult care homes that receive State-County Special Assistance funds and shall ensure that cost reporting is done for State-County Special Assistance and Adult Care Home Personal Care Services to the same standards as apply to other residential service providers.

DRAFT
SPECIAL PROVISION

2009-DHHS-H86

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

VENDING ACCOUNTS

SECTION 10.57A. The Office of State Budget and Management and the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services shall eliminate all Budget Codes within the 2000 range and the 6000 range that pertain to vending receipt accounts and patient and employee activities. These vending receipt accounts shall become part of the operating budgets within the State facilities and shall be budgeted for patient and employee activities and services on an ongoing basis. All receipts generated by vending machine services shall be retained for use in the facility in which the vending machine service is operated.

DRAFT
SPECIAL PROVISION

2009-DHHS-H24(S10.58)

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: **Representative**

MEDICAID

SECTION 10.58.(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 one hundred percent (100%) of the nonfederal costs of all applicable services listed in this section. In addition, the State shall pay one hundred percent (100%) of the federal Medicare Part D clawback payments under the Medicare Modernization Act of 2004.

(3) Use of 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 and related operational costs 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 funds allocated for the 2009-2010 and 2010-2011 fiscal years 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 10.58.(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. – The Division of Medical Assistance, Department of Health and Human Services, shall 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.

(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 medical 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. For medical policy changes exceeding three million dollars ($3,000,000) in total requirements for a given fiscal year that are required for compliance with federal law, the Department shall submit the proposed medical policy or policy interpretation change with the five-year fiscal analysis to the Office of State Budget and Management prior to implementing the change. 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 10.58.(c) Eligibility. – Eligibility for Medicaid shall be determined in accordance with the following:

(1) Medicaid and Work First Family Assistance.

a. 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**
Family Size	Standard of Need & Families and Children Income Level	WFFA* Payment Level	Children & AA, AB, AD* Income Level
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).

b. 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.

c. The Department of Health and Human Services shall provide Medicaid coverage to 19- and 20-year-olds in accordance with federal rules and regulations.

d. Medicaid enrollment of categorically needy families with children shall be continuous for one year without regard to changes in income or assets.

(2) For the following Medicaid eligibility classifications for which the federal poverty guidelines are used as income limits for eligibility determinations, the income limits will be updated each April 1 immediately following publication of federal poverty guidelines. The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to the following:

a. All elderly, blind, and disabled people who have incomes equal to or less than one hundred percent (100%) of the federal poverty guidelines.

b. Pregnant women with incomes equal to or less than one hundred eighty-five percent (185%) of the federal poverty guidelines and without regard to resources. 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.

c. Infants under the age of one with family incomes equal to or less than two hundred percent (200%) of the federal poverty guidelines and without regard to resources.

d. Children aged one through five with family incomes equal to or less than two hundred percent (200%) of the federal poverty guidelines and without regard to resources.

e. Children aged six through 18 with family incomes equal to or less than one hundred percent (100%) of the federal poverty guidelines and without regard to resources.

f. 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 guidelines and without regard to resources.

g. Workers with disabilities described in G.S. 108A-54.1 with unearned income equal to or less than one hundred fifty percent (150%) of the federal poverty guidelines.

(3) The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to adoptive children with special or rehabilitative needs regardless of the adoptive family's income.

(4) The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to "independent foster care adolescents," ages 18, 19, and 20, as defined in section 1905(w)(1) of the Social Security Act [42 U.S.C. § 1396d(w)(1)], without regard to the adolescent's assets, resources, or income levels.

(5) 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

(6) The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to women who need treatment for breast or cervical cancer and who are defined in 42 U.S.C. § 1396a.(a)(10)(A)(ii)(XVIII).

SECTION 10.58.(d) Services and Payment Bases. – The Department shall spend funds appropriated for Medicaid services 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. – Payment for hospital inpatient services will be prescribed by 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. – 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.

(4) Physicians, certified nurse midwife services, certified registered nurse anesthetists, nurse practitioners. – Fee schedules as developed 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, nonprovider-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. The Department may disregard application of this policy in cases where application of the policy would adversely affect patient care.

(20) [Reserved]

(21) Personal care services. – Payment in accordance with the State Plan developed by the Department of Health and Human 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) [Reserved]

(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 for generic and for brand-name drugs shall be established per prescription by the Department based on the reductions made in this act. Further 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."

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 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 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 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, licensed 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 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.

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 10.58.(e) Provider Performance Bonds and Visits. –

(1) Subject to the provisions of this subdivision, the Department may require Medicaid-enrolled providers to 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 require the purchase of a performance bond or the submission of an executed letter of credit or financial instrument as a condition of initial enrollment, reenrollment, or reinstatement if:

a. The provider fails to demonstrate financial viability,

b. The Department determines there is significant potential for fraud and abuse,

c. The Department otherwise finds it is in the best interest of the Medicaid program to do so.

The Department shall specify the circumstances under which a performance bond or executed letter of credit will be required.

(1a) The Department may waive or limit the requirements of this paragraph for individual Medicaid-enrolled providers or for one or more classes of Medicaid-enrolled providers based on the following:

a. The provider's or provider class's dollar amount of monthly billings to Medicaid.

b. The length of time an individual provider has been licensed, endorsed, certified, or accredited in this State to provide services.

c. The length of time an individual provider has been enrolled to provide Medicaid services in this State.

d. The provider's demonstrated ability to ensure adequate record keeping, staffing, and services.

e. The need to ensure adequate access to care.

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 shall provide to the affected provider written notice of the findings upon which its action is based and

shall include the performance bond requirements and the conditions under which a waiver or limitation apply. 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 30 visits per recipient per fiscal year for the following professional services: hospital outpatient providers, physicians, nurse practitioners, nurse midwives, clinics, health departments, optometrists, chiropractors, and podiatrists. The Department of Health and Human Services shall adopt medical policies in accordance with G.S. 108A-54.2 to distribute the allowable number of visits for each service or each group of services consistent with federal law. In addition, the Department shall establish a threshold of some number of visits for these services. The Department shall ensure that primary care providers or the appropriate CCNC network are notified when a patient is nearing the established threshold to facilitate care coordination and intervention as needed.

Prenatal services, all EPSDT children, emergency room visits, and mental health visits subject to independent utilization review are exempt from the visit limitations contained in this subdivision. Subject to appropriate medical review, the Department may authorize exceptions when additional care is medically necessary. Routine or maintenance visits above the established visit limit will not be covered unless necessary to actively manage a life threatening disorder or as an alternative to more costly care options.

SECTION 10.58.(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 payment 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.

(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.

(3) The Department of Health and Human Services shall establish a fifty dollars ($50.00) per visit co-payment for non-emergent hospital emergency room visits.

SECTION 10.58.(g) Rules, Reports, fees 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. The Department of Health and Human Services shall adopt rules

requiring providers to attend training as a condition of enrollment and may adopt temporary or emergency rules to implement the training requirement.

Prior to the filing of the temporary or emergency rules authorized under this subsection 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 subdivision (a)(4) of this section, the report shall be submitted to the Joint Legislative Health Care Oversight Committee.

DRAFT
SPECIAL PROVISION

2009-DHHS-H80(S10.61)i

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: **Representative**

MEDICAID SPECIAL FUND TRANSFER

SECTION 10.61. Of the funds transferred to the Department of Health and Human Services for Medicaid programs pursuant to G.S. 143C-9-1, there is appropriated from the Medicaid Special Fund to the Department of Health and Human Services the sum of forty-three million dollars ($43,000,000) for the 2009-2010 fiscal year and the sum of forty-three million dollars ($43,000,000) for the 2010-2011 fiscal year. These funds shall be allocated as prescribed by G.S. 143C-9-1(b) for Medicaid programs. Notwithstanding the prescription in G.S. 143C-9-1(b) that these funds not reduce State general revenue funding, these funds shall replace the reduction in general revenue funding effected in this act. The Department may also use funds in the Medicaid Special Fund to fund the settlement of the Disproportionate Share Hospital payment audit issues between the Department of Health and Human Services and the federal government related to fiscal years 1997-2002, and funds are appropriated from the Fund for the 2009-2010 fiscal year for this purpose.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2009

DRAFT
SPECIAL PROVISION

2009-DHHS-H81(S10.62)i

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

EXTEND IMPLEMENTATION OF COMMUNITY ALTERNATIVES PROGRAMS REIMBURSEMENT SYSTEM

SECTION 10.62. Full implementation for the Community Alternatives Programs reimbursement system shall be not later than 12 months after the date on which the replacement Medicaid Management Information System becomes operational and stabilized.

DRAFT
SPECIAL PROVISION

2009-DHHS-H72(S10.64)

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

ACCOUNTING FOR MEDICAID RECEIVABLES AS NONTAX REVENUE

SECTION 10.64.(a) Receivables reserved at the end of the 2009-2010 and 2010-2011 fiscal years shall, when received, be accounted for as nontax revenue for each of those fiscal years.

SECTION 10.64.(b) For the 2009-2010 fiscal year, the Department of Health and Human Services shall deposit from its revenues one hundred twenty-four million nine hundred ninety-four thousand nine hundred fifty-four dollars ($124,994,954) with the Department of State Treasurer to be accounted for as nontax revenue. For the 2010-2011 fiscal year, the Department of Health and Human Services shall deposit from its revenues one hundred million dollars ($100,000,000) with the Department of State Treasurer to be accounted for as nontax revenue. These deposits shall represent the return of General Fund appropriations provided to the Department of Health and Human Services to provide indigent care services at State-owned and operated mental hospitals. The treatment of any revenue derived from federal programs shall be in accordance with the requirements specified in the Code of Federal Regulations, Volume 2, Part 225.

DRAFT
SPECIAL PROVISION

2009-DHHS-H74(S10.65)i

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: **Representative**

FAMILIES PAY PART OF THE COST OF SERVICES UNDER THE CAP-MR/DD PROGRAM AND THE CAP-CHILDREN'S PROGRAM BASED ON FAMILY INCOME

SECTION 10.65.(a) Subject to approval from the Centers for Medicare and Medicaid Services (CMS), the Department of Health and Human Services, Division of Medical Assistance, shall, in consultation with the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, and Community Alternatives Program (CAP) stakeholders, develop a schedule of cost-sharing requirements for families of children with incomes above the Medicaid allowable limit to share in the costs of their child's Medicaid expenses under the CAP-MR/DD (Community Alternatives Program for Mental Retardation and Developmentally Disabled) and the CAP-C (Community Alternatives Program for Children). The cost-sharing amounts shall be based on a sliding scale of family income and shall take into account the impact on families with more than one child in the CAP programs. In developing the schedule, the Department shall also take into consideration how other states have implemented cost-sharing in their CAP programs. The Division of Medical Assistance may establish monthly deductibles as a means of implementing this cost-sharing. The Department shall provide for at least one public hearing and other opportunities for individuals to comment on the imposition of cost-sharing under the CAP program schedule.

SECTION 10.65.(b) The Division of Medical Assistance shall also, in collaboration with the Controller's Office of the Department of Health and Human Services, the Division of Information Resource Management (DIRM), and the new vendor of the replacement Medicaid Management Information System, develop business rules, program policies and procedures, and define relevant technical requirements.

SECTION 10.65.(c) Prior to seeking approval from CMS, but not later than October 1, 2009, the Department shall report to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs, and 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. The report shall include a summary of comments the Department has received at the public hearing, business rules, policies and procedures, and technical requirements of the initiative and shall also indicate any barriers to implementing the cost-sharing.

DRAFT
SPECIAL PROVISION

2009-DHHS-H26(S10.66)

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

PREFERRED DRUG LIST PROGRAM

SECTION 10.66.(a) The Department of Health and Human Services shall establish and implement a preferred drug list program under the Division of Medical Assistance. The Department shall submit a medical assistance State Plan amendment to the Centers for Medicare and Medicaid Services (CMS) of the United States Department of Health and Human Services to implement the program.

SECTION 10.66.(b) The pharmaceutical and therapeutics committee of the Physician's Advisory Group (PAG) shall provide ongoing review of the preferred drug list. Members of the committee shall submit conflict of interest disclosure statements to the Department and shall have an ongoing duty to disclose conflicts of interest not included in the original disclosure.

SECTION 10.66.(c) The Department, in consultation with the PAG, shall adopt and publish policies and procedures relating to the preferred drug list, including:

(1) Guidelines for the presentation and review of drugs for inclusion on the preferred drug list,

(2) The manner and frequency of audits of the preferred drug list for appropriateness of patient care and cost-effectiveness,

(3) An appeals process for the resolution of disputes, and

(4) Such other policies and procedures as the Department deems necessary and appropriate.

The Department and the pharmaceutical and therapeutics committee shall consider all therapeutic classes of prescription drugs for inclusion on the preferred drug list, except medications for treatment of human immunodeficiency virus or acquired immune deficiency syndrome shall not be subject to consideration for inclusion on the preferred drug list.

The Department shall maintain an updated preferred drug list in electronic format and shall make the list available to the public on the Department's Internet Web site.

The Department shall: (i) enter into a multistate purchasing pool; (ii) negotiate directly with manufacturers or labelers; (iii) contract with a pharmacy benefit manager for negotiated discounts or rebates for all prescription drugs under the medical assistance program; or (iv) effectuate any combination of these options in order to achieve the lowest available price for such drugs under such program.

The Department may negotiate supplemental rebates from manufacturers that are in addition to those required by Title XIX of the federal Social Security Act. The committee shall consider a product for inclusion on the preferred drug list if the manufacturer provides a supplemental rebate. The Department may procure a sole source contract with an outside entity or contractor to conduct negotiations for supplemental rebates.

DRAFT
SPECIAL PROVISION

2009-DHHS-H75(S10.68)i

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

CLARIFYING CHANGES TO STATE MEDICAID RESPONSIBILITIES

SECTION 10.68. Consistent with Sections 31.16.1(c) and (d) of S.L. 2007-323 that require the State to assume responsibility for the nonfederal share of the costs of medical services provided under the Medicaid Program starting June 1, 2009, the counties shall neither bear any responsibility for settlement payments to providers nor refunds of expenditures for program service claims paid on or before June 1, 2009. Counties will continue to participate in their share of administrative costs.

DRAFT
SPECIAL PROVISION

2009-DHHS-H44

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: **Representative**

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

SECTION 10.68A.(a) For the purpose of enabling the Department of Health and Human Services, Division of Medical Assistance to achieve the budget reductions enacted in this act for the Medicaid program, the Department may take the following actions notwithstanding any other provision of this act or other State law or rule to the contrary, and subject to the requirements of subsection (e) of this section.

(1) **Electronic Transactions.** –

a. Within 60 days of notification of its procedures via the DMA website, Medicaid providers shall follow the Department's established procedures for securing electronic payments. No later than September 1, 2009, the Department shall cease routine provider payments by check.

b. Effective September 1, 2009, all Medicaid providers shall file claims electronically to the fiscal agent. Non-electronic claims submission may be required when it is in the best interest of the Department.

c. Effective September 1, 2009, enrolled Medicaid providers shall submit Preadmission Screening and Annual Resident Reviews (PASARR) through the Department's web based tool or through a vendor with interface capability to submit data into the web based PASARR.

(2) **Clinical Coverage.** – The Department of Health and Human Services, Division of Medical Assistance shall amend applicable clinical policies and submit applicable State plan amendments to CMS to implement the budget reductions authorized in the following clinical coverage areas in this act:

a. Modify or eliminate Physical Therapy, Speech Therapy, and Occupational Therapy.

b. Modify or eliminate Dental Services.

c. Consolidate and reduce Targeted Case Management and case management functions bundled within other Medicaid services;

d. Eliminate coverage of HIV case management.

e. Eliminate coverage of therapeutic camps.

f. Modify or eliminate adult routine eye exams and visual aids.

(3) **Medicaid Personal Care Service Provision:** – Upon the enactment of this act, the Division of Medical Assistance shall implement the following new criteria for personal care services (PCS):

a. Independent assessment by an entity that does not provide direct PCS services for evaluation of the recipient prior to initiation of service. The independent assessment will determine the qualifying Activities of Daily Living (ADL), the level of assistance required, and the amount and scope of PCS to be provided, according to policy criteria.

b. Independent assessment or review from the assigned Community Care of North Carolina (CCNC) physician of the continued qualification for PCS services under the revised PCS policy criteria;

c. Establishment of four levels of qualifying criteria and service, as follows:

1. **PCS I**- requires *limited* assistance with three ADLs; up to 20 hours/month; no housekeeping.
2. **PCS II**- requires *limited* assistance with four ADLs; up to 40 hours/month; no housekeeping.
3. **PCS III**- requires *extensive* assistance with three ADLs, or limited assistance two and extensive assistance with two ADLs; up to 60 hours/month; up to 25% housekeeping.
4. **PCS-Plus**- requires *extensive* assistance with four ADLs; up to 80 hours/month; up to 25% housekeeping.

d. Establishment of time limits on physician service orders and reauthorization in accordance with the recipient's diagnosis and acuity of need.

e. Add the following items to the list of tasks that are not covered by this service: non-medical transportation, errands and shopping, money management, cueing, and prompting, guiding or coaching.

f. On-line physician attestation of medical necessity.

g. Revision of audits and review process including extending of the current contract with the post payment vendor.

h. If sufficient reduction in cost is not achieved with the revised policy, the Secretary shall direct the Division of Medical Assistance to further modify the policy to achieve targeted cost savings.

Recipients currently receiving PCS services shall be reviewed under the above criteria and those recipients not meeting the new criteria shall be terminated from the service within 30 days of the review. The Department shall review usage of personal care services in adult care homes to determine if over-usage is occurring, 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 on or before December 1, 2009.

(4) **MH/DD/SAS Personal Care and Personal Assistance Services Provision.** – A denial, reduction or termination of Medicaid funded personal care services shall result in a similar denial, reduction or termination State-funded MH/DD/SAS personal care and personal assistance services.

(5) **Community Support and other MH/DD/SA services:** – The Department of Health and Human Services shall eliminate community support services on or before April 1, 2010. Upon enactment of this act, the Division of Medical Assistance and the Division of MH/DD/SA shall take the steps necessary for the Medicaid and the State-funded community support

program to provide for transition and discharge planning to recipients currently receiving community support services. The following shall occur:

a. No new admissions shall be allowed.

b. Authorizations currently in affect as of the date of enactment of this Act remain valid. Any new authorization or subsequent reauthorization is subject to the provisions of this Act.

c. No community support services shall be provided in conjunction with other enhanced services, except through December 31, 2009, professional level community support may be provided in conjunction with residential Level III and IV to assist in recipient discharge planning. Up to a maximum of 24 hours over a 90 day authorization may be provided as approved by the Prior Authorization vendor.

d. The current moratorium on community support provider endorsement shall remain in effect.

e. A provider of community support services whose endorsement, Medicaid participation, or services have been suspended is not entitled to payment during the period the appeal is pending, and the Department shall make no payment to the provider during that period. If the final agency decision is in favor of the provider, the Department shall remove the suspension, commence payment for provider services, and reimburse the provider for payments withheld during the period of appeal.

f. Effective 60 days from the enactment of this Act, the paraprofessional level of community support shall be eliminated and from this date the Department shall not use any Medicaid or state funds to pay for this level of service.

g. Community support services are limited no more than four hours per week. The four hours is solely for the purpose of transition and discharge planning.

h. Thirty days (30) after the enactment of this act, any concurrent request shall be accompanied with a discharge plan. Submission of the discharge plan will be a required document for a request to be considered complete. Failure to submit the discharge plan will result in the request being returned as "unable to process." Discharge from the service must occur within 90 days after the submission of the discharge plan.

i. Any community support provider that ceases to function as a provider shall provide written notification to DMA, the Local Management Entity, recipients and the prior authorization vendor 30 days prior to closing of the business.

j. Medical and financial record retention is the responsibility of the provider and shall be in compliance with the record retention requirements of their Medicaid provider agreement or state-funded services contract. Records shall also be available to state, federal and local agencies.

k. Failure to comply with notification, recipient transition planning or record maintenance shall result in suspension of further payment until such failure is corrected. In addition, failure to comply shall

result in denial of enrollment as a provider for any Medicaid or state-funded service.

(7) **Community Support Team** – Authorization for a Community Support Team shall be based upon medical necessity as defined by the Department and shall not exceed 18 hours per week. The Division of Medical Assistance shall do an immediate rate study of Community Support Team to bring the average cost of service per recipient in line with Assertive Community Treatment Team (ACTT) services. The Division shall also revise provider qualifications and tighten the service definition to contain costs in this line item. Not later than October 1, 2009, the Division of Medical Assistance shall report its findings on the rate study and any actions it has taken to conform with this subdivision to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services.

(8) **MH Residential.** – The Department of Health and Human Services shall restructure the Medicaid and State-funded child MH/DD/SA residential services. The Division of Medical Assistance and The Division of MH/DD/SA shall establish a team inclusive of providers, LMEs, prior authorization vendors, and other stakeholders to assure effective transition of recipients to appropriate treatment options. Included in the restructuring shall be the following:

a. On or before October 1, 2009, the Department shall eliminate High Risk Intervention Residential Level III and Level IV service.

b. Submission to CMS of a therapeutic family service definition.

c. Within 30 day of this Action, the Department shall Institute a moratorium on admissions High Risk Intervention Residential Level III and Level IV group homes.

d. Thirty (30) days after enactment, any concurrent request must be accompanied with a discharge plan. Discharge from the placement must occur within 6 months after the submission of the discharge plan.

e. All transition and discharge plans must be developed by the child and family team and with active participation by the LME and/or the Prior Authorization vendor.

f. Submission of discharge plan is a required document in order for the request to be considered complete. Failure to submit will be returned as unable to process.

g. Any residential provider that ceases to function as a provider shall provide written notification to DMA, the Local Management Entity, recipients and the prior authorization vendor 30 days prior to closing of the business.

h. Medical and financial record retention is the responsibility of the provider and shall be in compliance with the record retention requirements of their Medicaid provider agreement or state-funded services contract. Records shall also be available to state, federal and local agencies.

i. Failure to comply with notification, recipient transition planning or record maintenance shall result in suspension of further payment until such failure is corrected. In addition, failure to comply shall

result in denial of enrollment as a provider for any Medicaid or state-funded service.

(9) **Reduce Medicaid Rates** – Subject to the prior approval of the Office of State Budget and Management, the Secretary shall reduce Medicaid Provider rates to accomplish an overall rate reduction of five and five tenths percent (5.5%) in the 2009-2010 fiscal year, and six percent (6%) in the 2010-2011 fiscal year. The Secretary shall consider the impact on access to care through primary care providers, safety net critical care access hospitals and may adjust the rates accordingly. The rate reduction applies to all Medicaid private and public providers with the following exceptions: federally qualified health clinics, rural health centers, State institutions, outpatient hospital, pharmacy, and the non-inflationary components of the case-mix reimbursement system for nursing facilities. Medicaid rates predicated upon Medicare fee schedules shall follow Medicare reductions but not Medicare increases unless federally required. Inflationary increases for Medicaid providers paying provider fees (private ICF-MRs and nursing facilities) can occur if the State share of the increases can be funded with provider fees.

(10) **Medicaid identification cards.** – The Department shall issue Medicaid identification cards to recipients on a quarterly basis.

SECTION 10.68A.(b) G.S. 108A-70.21(d) is amended by adding the following new subdivision to read:

"(5) Fifty dollars ($50.00) for each non-emergent emergency room visit."

SECTION 10.68A.(c). G.S. 108A-54.2(1) reads as rewritten:

"(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~~ Department 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."

SECTION 10.68A.(d) Part 6 of Article 2 of Chapter 108A of the General Statutes is amended by adding the following new section to read:

"**§ 108A-55.5. Insurers must accept Departmental authorization for medical services.**

Health insurers, as defined in G.S. 108A-55.4, shall accept authorization from the Division of Medical Assistance for the provision of medical services on behalf of a recipient of medical assistance as the insurer's authorization for the provision of those services and shall not deny a claim submitted by the Division solely on the basis that the insurer did not prior approve or prior authorize the service."

SECTION 10.68A.(e) At least 30 days prior to the adoption of new or amended medical coverage policies necessitated by the reductions to the Medicaid program enacted in this act, the Department shall:

(1) Publish the proposed new or amended medical coverage policies via the Medicaid Bulletin published on the Department's Web site, which shall include an invitation to readers to send written comments on the proposed new or amended policies to the Department's mailing address, including e-mail.

(2) Notify via direct mail the members of the Department's Physicians' Advisory Group (PAG) of the proposed policies and Medicaid recipients of clinical coverage changes.

(3) Update the policies published on the Web site to reflect any changes made as a result of written comments received from the (PAG) and others.

DRAFT
SPECIAL PROVISION

2009-DHHS-H76(S10.69)i

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

CO-PAYMENTS FOR TICKET TO WORK

SECTION 10.69. G.S. 108A-54.1(d) reads as rewritten:

"**§ 108A-54.1. Medicaid buy-in for workers with disabilities.**

...

(d) Fees, Premiums, and Co-Payments. – Individuals who participate in HCWD and have countable income greater than one hundred fifty percent (150%) of FPG shall pay an annual enrollment fee of fifty dollars ($50.00) to their county department of social services. Individuals who participate in HCWD and have countable income greater than or equal to two hundred percent (200%) of FPG shall pay a monthly premium in addition to the annual fee. The Department shall set a sliding scale for premiums, which is consistent with applicable federal law. An individual with countable income equal to or greater than four hundred fifty percent (450%) of FPG shall pay not less than one hundred percent (100%) of the cost of the premium, as determined by the Department. The premium shall be based on the experience of all individuals participating in the Medical Assistance Program. Individuals who participate in HCWD are subject to co-payments equal to those required under the ~~North Carolina Health Choice Program.~~ Medical Assistance Program."

DRAFT
SPECIAL PROVISION

2009-DHHS-H34

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: **Representative**

INFORMATION ON MEDICAID WAIVERS

SECTION 10.72A.(a) The Department of Health and Human Services, Division of Medical Assistance, shall report on the feasibility and efficacy of applying for Medicaid waivers from the Centers for Medicare and Medicaid Services. The report shall recommend whether the following waivers should be pursued and the reasons therefore:

(1) An 1115 waiver to permit individuals that test positive for HIV and have incomes at or below two hundred percent (200%) of the federal poverty level access to Medicaid services. The report and recommendation shall indicate the number of people that may be eligible for Medicaid services under the waiver, the resulting cost and cost savings to the State if all potentially eligible individuals applied for assistance, and the programmatic and technical impact should the waiver be implemented.

(2) An 1115 waiver or other available Medicaid options to provide interconceptional coverage to low-income women with incomes below one hundred eighty-five percent (185%) of the federal poverty guidelines who have given birth to a high-risk infant. A high-risk infant is defined as weighing less than 1500 grams, is born less than 34 weeks gestation, is born with a congenital anomaly, or who has died within the first 28 days of life. Interconceptional care would be limited to two years following the birth of a high-risk infant, or until a subsequent birth, whichever comes first. The report and recommendations should include estimated cost savings from improved birth outcomes that will offset the cost of providing Medicaid coverage to this targeted population.

(3) A 1915(c) waiver to permit individuals who sustain traumatic brain injury after age 22 to access home and community-based Medicaid services. The report and recommendation shall include the estimated cost to implement the waiver.

(4) A waiver to prevent a Medicaid recipient from losing Medicaid eligibility due Social Security and Railroad Retirement cost of living adjustments and federal poverty level adjustments. The report and recommendation shall provide the cost to cover all affected persons effective March 1, 2009.

The Department shall provide for each waiver the estimated time needed to prepare the waiver application and the earliest date upon which the waiver, if approved by CMS, could be implemented.

SECTION 10.72A.(b) The Department shall submit its report and recommendations 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 Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services by March 1, 2010.

DRAFT
SPECIAL PROVISION

2009-DHHS-H17(S10.78)

Department of Health and Human Services
Appropriations Subcommittee on Health and Human Services

Requested by: Representative

DHHS BLOCK GRANTS

SECTION 10.78.(a) Appropriations from federal block grant funds are made for the fiscal year ending June 30, 2010, 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	$87,083,100
02.	Work First County Block Grants	94,453,315
03.	Child Protective Services – Child Welfare Workers for Local DSS	14,452,391
04.	Child Welfare Collaborative	1,019,193
Division of Child Development		
05.	Subsidized Child Care Program	61,087,077
Division of Public Health		
06.	Teen Pregnancy Initiatives	450,000
DHHS Administration		
07.	Division of Social Services	1,093,176
08.	Office of the Secretary	75,392
09.	Office of the Secretary/DIRM – TANF Automation Projects	720,000
10.	Office of the Secretary/DIRM – NC FAST	

	Implementation	1,200,000
Transfers to Other Block Grants		
	Division of Child Development	
11.	Transfer to the Child Care and Development Fund	84,330,900
	Division of Social Services	
12.	Transfer to Social Services Block Grant for Child Protective Services – Child Welfare Training in Counties	2,738,827
13.	Transfer to Social Services Block Grant for Maternity Homes	943,002
14.	Transfer to Social Services Block Grant for Teen Pregnancy Prevention Initiatives	2,500,000
15.	Transfer to Social Services Block Grant for County Departments of Social Services for Children's Services	4,500,000
16.	Transfer to Social Services Block Grant for Foster Care Services	390,000
17.	Transfer to Social Services Block Grant for Medically Fragile Children	360,000
TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) BLOCK GRANT		$357,396,373
TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) CONTINGENCY FUNDS		
Local Program Expenditures		
	Division of Social Services	
01.	Work First Family Assistance	$2,236,284
02.	Work First – Boys and Girls Clubs	1,600,000
03.	Work First – Afterschool Services For At-Risk Children	1,639,714
04.	Work First – Afterschool Programs For At-Risk Youth in Middle Schools	400,000

05.	Work First – Connect, Inc. (Work Central)	440,000
06.	Work First – Citizens Schools Program	360,000
07.	County Demonstration Grants	3,239,789
08.	Adoption Services – Special Children's Adoption Fund	3,000,000
09.	Family Violence Prevention	1,760,000
10.	Work First Functional Assessment	600,000
11.	Electing County State Funding Swap Out	2,378,213
12.	State Subsidized Child Care Funding Swap	12,452,484

TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) CONTINGENCY FUNDS $30,106,484

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	397,718
05.	Foster Care Services (Transfer from TANF – $390,000)	2,372,619
06.	Maternity Homes (Transfer from TANF)	943,002
07.	Special Children Adoption Incentive Fund	500,000
08.	Child Protective Services-Child Welfare Training for Counties (Transfer from TANF)	2,738,827
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 and 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 Public Health		
14.	Teen Pregnancy Prevention Initiatives (Transfer from TANF)	2,500,000
15.	Services for Medically Fragile Children (Transfer from TANF)	360,000
DHHS Program Expenditures		
Division of Aging and Adult Services		
16.	UNC-CARES Training Contract	247,920
Division of Vocational Rehabilitation		
17.	Independent Living Program	400,000
Division of Services for the Blind		
18.	Independent Living Program	3,633,077
Division of Health Service Regulation		
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	688,436
22.	Division of Social Services	892,624

23.	Office of the Secretary/Controller's Office	138,058
24.	Office of the Secretary/DIRM	87,483
25.	Division of Child Development	15,000
26.	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	29,665
27.	Division of Health Service Regulation	235,625
28.	Office of the Secretary-NC Inter-Agency Council For Coordinating Homeless Programs	250,000
29.	Office of the Secretary	48,053

Transfers to Other State Agencies

Department of Administration

30.	NC Commission of Indian Affairs In-Home Services for the Elderly	203,198

Transfers to Other Block Grants

Division of Public Health

31.	Transfer to Preventive Health Services Block Grant For HIV/STD Prevention and Community Planning	145,819

TOTAL SOCIAL SERVICES BLOCK GRANT $ 64,209,973

LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT

Local Program Expenditures

Division of Social Services

01.	Low-Income Energy Assistance Program (LIEAP)	$ 22,612,198
02.	Crisis Intervention Program (CIP)	16,927,343

Office of the Secretary – Office of Economic Opportunity

03.	Weatherization Program	7,258,685
04.	Heating Air Repair & Replacement Program (HARRP)	3,385,583

Local Administration

Division of Social Services		
05.	County DSS Administration	3,608,360
Office of the Secretary – Office of Economic Opportunity		
06.	Local Residential Energy Efficiency Service Providers – Weatherization	420,035
07.	Local Residential Energy Efficiency Service Providers – HARRP	195,910
DHHS Administration		
08.	Division of Social Services	275,000
09.	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	11,577
10.	Office of the Secretary/DIRM	384,494
11.	Office of the Secretary/Controller's Office	17,566
12.	Office of the Secretary/Office of Economic Opportunity – Weatherization	420,035
13.	Office of the Secretary/Office of Economic Opportunity – HARRP	195,910
Transfers to Other State Agencies		
14.	Department of Administration – N.C. State Commission of Indian Affairs	95,469
TOTAL LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT		$ 55,808,166
CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT		
Local Program Expenditures		
Division of Child Development		
01.	Subsidized Child Care Services (CCDF)	$144,097,307
02.	Contract Subsidized Child Care Services Support	507,617
03.	Subsidized Child Care Services	

	(Transfer from TANF)	84,330,900
04.	Quality and Availability Initiatives	24,560,876
Division of Social Services		
05.	Local Subsidized Child Care Services Support	$16,594,417
DHHS Administration		
Division of Child Development		
06.	DCD Administrative Expenses	6,539,277
Division of Central Administration		
07.	DHHS Central Administration – DIRM Technical Services	763,356
TOTAL CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT		$277,393,750

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT RECEIVED THROUGH THE AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)

Local Program Expenditures		
Division of Child Development		
01.	Subsidized Child Care Services (CCDF)	$53,993,329
02.	Contract Subsidized Child Care Services Support	29,030
DHHS Program Expenditures		
Division of Child Development		
03.	Quality and Availability Initiatives	7,719,144
04.	TEACH	3,800,000
Local Administration		
Division of Social Services		
05.	Subsidy Services Support	2,001,631
TOTAL CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT RECEIVED THROUGH ARRA		$67,543,143

MENTAL HEALTH SERVICES BLOCK GRANT		
Local Program Expenditures		
01.	Mental Health Services – Adult	$ 5,977,762
02.	Mental Health Services – Child	3,921,991
03.	Comprehensive Treatment Service Program	1,500,000
04.	Mental Health Services – UNC School of Medicine, Department of Psychiatry	300,000
TOTAL MENTAL HEALTH SERVICES BLOCK GRANT		$ 11,699,753
SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT		
Local Program Expenditures		
Division of Mental Health, Developmental Disabilities, and Substance Abuse Services		
01.	Substance Abuse Services – Adult	$ 22,258,080
02.	Substance Abuse Treatment Alternative for Women	8,069,524
03.	Substance Abuse – HIV and IV Drug	5,116,378
04.	Substance Abuse Prevention – Child	7,186,857
05.	Substance Abuse Services – Child	4,940,500
06.	Institute of Medicine	250,000
Division of Public Health		
07.	Risk Reduction Projects	633,980
08.	Aid-to-Counties	209,576
09.	Maternal Health	37,779
TOTAL SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT		$ 48,702,674
MATERNAL AND CHILD HEALTH BLOCK GRANT		

Local Program Expenditures		
Division of Public Health		
01.	Children's Health Services	7,534,865
02.	Women's Health	7,701,691
03.	Oral Health	38,041
DHHS Program Expenditures		
Division of Public Health		
04.	Children's Health Services	1,359,636
05.	Women's Health	135,452
06.	State Center for Health Statistics	179,483
07.	Quality Improvement in Public Health	14,646
08.	Health Promotion	88,746
09.	Office of Minority Health	55,250
10.	Immunization Program – Vaccine Distribution	382,648
DHHS Administration		
Division of Public Health		
11.	Division of Public Health Administration	631,966
TOTAL MATERNAL AND CHILD HEALTH BLOCK GRANT		$ 18,122,424
PREVENTIVE HEALTH SERVICES BLOCK GRANT		
Local Program Expenditures		
Division of Public Health		
01.	NC Statewide Health Promotion	$1,730,653
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		
Division of Public Health		
04.	NC Statewide Health Promotion	1,699,044
05.	Oral Health	70,000
06.	State Laboratory of Public Health	16,600
TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT		$3,859,228
COMMUNITY SERVICES BLOCK GRANT		
Local Program Expenditures		
Office of Economic Opportunity		
01.	Community Action Agencies	$ 16,673,336
02.	Limited Purpose Agencies	926,297
DHHS Administration		
03.	Office of Economic Opportunity	926,296
TOTAL COMMUNITY SERVICES BLOCK GRANT		$ 18,525,929
COMMUNITY SERVICES BLOCK GRANT RECEIVED THROUGH THE AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)		
Local Program Expenditures		
Office of Economic Opportunity		
01.	Community Action Agencies	$ 25,980,693
DHHS Administration Expenditures		
02.	Division of Social Services	262,431
TOTAL COMMUNITY SERVICES BLOCK GRANT RECEIVED THROUGH ARRA		$ 26,243,124

GENERAL PROVISIONS

SECTION 10.78.(b) Information to Be Included in Block Grant Plans. – The Department of Health and Human Services shall submit a separate plan for each Block Grant received and administered by the Department, and each plan shall include the following:

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

SECTION 10.78.(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.

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.

Prior to allocating the change in federal fund availability, the proposed allocation must be approved by the Office of State Budget and Management. If the Department adjusts the allocation of any Block Grant due to changes in federal fund availability, then a report shall be made to the Joint Legislative Commission on Governmental Operations, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division.

SECTION 10.78.(d) Appropriations from federal block grant funds are made for the fiscal year ending June 30, 2010, according to the schedule enacted for State fiscal year 2009-2010 or until a new schedule is enacted by the General Assembly.

SECTION 10.78.(e) 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 Grants shall be reported immediately to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division. This subsection does not apply to Block Grant changes caused by legislative salary increases and benefit adjustments.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) BLOCK GRANT AND TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) CONTINGENCY FUNDS

SECTION 10.78.(f) The sum of one million ninety-three thousand one hundred seventy-six dollars ($1,093,176) appropriated in this section in the TANF Block Grant to the

Department of Health and Human Services, Division of Social Services, for the 2009-2010 fiscal year shall be used to support administration of TANF-funded programs.

SECTION 10.78.(g) The sum of one million seven hundred sixty thousand dollars ($1,760,000) appropriated under this section in TANF Contingency funds to the Department of Health and Human Services, Division of Social Services, for the 2009-2010 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, 2009. 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, 2009, 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, 2009. The Division of Social Services may reallocate unspent funds to counties that submit a written request for additional funds.

SECTION 10.78.(h) The sum of one million six hundred thirty-nine thousand seven hundred fourteen dollars ($1,639,714) appropriated in this section in TANF Contingency funds to the Department of Health and Human Services, Division of Social Services, for the 2009-2010 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 10.78.(i) The sum of fourteen million four hundred fifty-two thousand three hundred ninety-one dollars ($14,452,391) appropriated in this section to the Department of Health and Human Services, Division of Social Services, in the TANF Block Grant for the 2009-2010 fiscal year for child welfare improvements shall be allocated to the county departments of social services for hiring or contracting staff to investigate and provide services in Child Protective Services cases; to provide foster care and support services; to recruit, train, license, and support prospective foster and adoptive families; and to provide interstate and post-adoption services for eligible families.

SECTION 10.78.(j) The sum of three million dollars ($3,000,000) appropriated in this section in TANF Contingency funds to the Department of Health and Human Services, Special Children Adoption Fund, for the 2009-2010 fiscal year shall be used in accordance with G.S. 108A-50.2, as enacted in 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 10.78.(k) The sum of one million two hundred thousand dollars ($1,200,000) in this section appropriated to the Department of Health and Human Services in the TANF Block Grant for the 2009-2010 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, 2010.

SECTION 10.78.(l) The sum of four hundred thousand dollars ($400,000) appropriated in this section to the Department of Health and Human Services, Division of Social Services, in TANF Contingency funds for the 2009-2010 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 10.78.(m) In implementing the TANF Block Grants, 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 10.78.(n) The sum of four hundred forty thousand dollars ($440,000) appropriated in this section to the Department in TANF Contingency funds for the 2009-2010 fiscal year shall be transferred to Connect, Inc. Connect, 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 Connect, 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 Connect, 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, 2010.

SECTION 10.78.(o) The sum of one million six hundred thousand dollars ($1,600,000) appropriated in this section to the Department in TANF Contingency funds for Boys and Girls Clubs for the 2009-2010 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 TANF 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 10.78.(p) The Department of Health and Human Services, Division of Social Services, shall continue implementing county demonstration grants that began in the 2006-2007 fiscal year. The county demonstration grants may be awarded for up to three years with all projects ending no later than the end of fiscal year 2009-2010. The purpose of the county demonstration grants is to identify best practices that can be used by counties to improve the work participation rates. 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 2009-2010.

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.

The Department of Health and Human Services, Division of Social Services, shall report on the status of county demonstration grants implemented pursuant to 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 February 1, 2010.

SECTION 10.78.(q) The sum of one million nineteen thousand one hundred ninety-three dollars ($1,019,193) appropriated in this section to the Department of Health and Human Services in the TANF Block Grant for the 2009-2010 fiscal year shall be used to continue support for the Child Welfare Collaborative and to implement other recruitment initiatives.

SECTION 10.78.(r) The sum of three hundred sixty thousand dollars ($360,000) appropriated to the Department of Health and Human Services, Division of Social Services, under this section in TANF Contingency funds for the 2009-2010 fiscal year shall be used to continue support for the Citizens Schools Program, a three-year urban/rural dropout prevention pilot program in the Durham and Vance county public school systems.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) EMERGENCY CONTINGENCY FUNDS RECEIVED THROUGH THE AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)

SECTION 10.78.(s) The Department of Health and Human Services, Division of Social Services, shall demonstrate qualifying conditions and apply to the U.S. Department of Health and Human Services, Administration for Children & Families, for federal funding available through the Emergency Contingency Fund for State TANF Programs created by the American Recovery and Reinvestment Act.

Of the funds for which the Division qualifies, the sum of one million nine hundred fifty nine thousand and twenty dollars ($1,959,020) shall be used to implement a Conversion Pay for Performance Work First Benefits Program to improve work participation among Work First Assistance recipients.

If, based on increased Work First Family Assistance caseloads and payments, the Division of Social Services qualifies for funding in excess of the amount appropriated in this section, such additional Emergency Contingency Funds shall be used to support the Work First Family Assistance program.

SOCIAL SERVICES BLOCK GRANT

SECTION 10.78.(t) Social Services Block Grant funds appropriated to the North Carolina Inter-Agency Council for Coordinating Homeless Programs and funds appropriated for child medical evaluations are exempt from the provisions of 10A NCAC 71R .0201(3).

SECTION 10.78.(u) The sum of two million seven hundred thirty-eight thousand eight hundred twenty-seven dollars ($2,738,827) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2009-2010 fiscal year to support various child welfare training projects as follows:

(1) Provide a regional training center in southeastern North Carolina.

(2) Provide training for residential child caring facilities.

(3) Provide for various other child welfare training initiatives.

SECTION 10.78.(v) The sum of nine hundred forty-three thousand two dollars ($943,002) appropriated in this section to the Department of Health and Human Services in the Social Services Block Grant for the 2009-2010 fiscal year shall be used to support payments to maternity home providers.

SECTION 10.78.(w) The sum of three hundred sixty thousand dollars ($360,000) appropriated in this section to the Department of Health and Human Services, Division of Public Health, in the Social Services Block Grant for the 2009-2010 fiscal year shall be used to continue support for the Medically Fragile Children program.

SECTION 10.78.(x) The sum of two million three hundred seventy-two thousand six hundred nineteen dollars ($2,372,619) appropriated in this section in the Social Services Block Grant for child caring agencies for the 2009-2010 fiscal year shall be allocated in support of State foster home children.

SECTION 10.78.(y) The sum of four hundred thousand dollars ($400,000) appropriated in this section to the Department of Health and Human Services, Division of Vocational Rehabilitation, in the Social Services Block Grant for the 2009-2010 fiscal year shall be used for the Independent Living Program.

SECTION 10.78.(z) The Department of Health and Human Services is authorized, subject to the approval of the Office of State Budget and Management, to transfer Social Services Block Grant funding allocated for departmental administration between divisions that have received administrative allocations from the Social Services Block Grant.

SECTION 10.78.(aa) Social Services Block Grant funds appropriated for the Special Children's Adoption Incentive Fund will require fifty percent (50%) local match.

LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT

SECTION 10.78.(bb) 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.

In addition to funds available for weatherization appropriated within the Low-Income Home Energy Assistance Block Grant, funds available through the American Recovery and Reinvestment Act shall be used to continue to enhance weatherization activities coordinated by local agencies.

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT

SECTION 10.78.(cc) Payment for subsidized child care services provided with federal TANF funds shall comply with all regulations and policies issued by the Division of Child Development for the subsidized child care program.

SECTION 10.78.(dd) 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.

SECTION 10.78.(ee) Funds from the Child Care and Development Fund Block Grant and Child Care and Development Fund Block Grant received through the American Recovery and Reinvestment Act shall be used to increase access to child care subsidy. To help address the economic downturn and increasing unemployment in North Carolina, the Department of Health and Human Services, Division of Child Development shall adopt temporary policies that facilitate and expedite the prudent expenditure of these funds as follows:

(1) Permit the local purchasing agencies to issue time-limited vouchers to assist counties in managing one-time, nonrecurring subsidy funding.

(2) Extend the current 30/60 day job search policy to six months when a recipient experiences a loss of employment.

(3) Provide an upfront job search period of six months for applicants who have lost employment since October 1, 2008.

(4) Provide a job search period of six months for recipients that complete school and are entering the job market.

(5) Notwithstanding any other provision of law, extend the 24-month education time limit for an additional 12 months for a child care recipient who has lost a job since October 1, 2008, or otherwise needs additional training to enhance his or her marketable skills for job placement due to the economic downturn and who has depleted his or her 24-month allowable education time.

(6) Lower the number of hours a parent must be working in order to be eligible for subsidy to assist parents who are continuing to work but at reduced hours.

SECTION 10.78.(ff) If American Recovery and Reinvestment Act 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 10.78.(gg) 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 2009-2010 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 2009-2010 fiscal year shall be used to continue a Comprehensive Treatment Services Program for Children.

MATERNAL AND CHILD HEALTH BLOCK GRANT

SECTION 10.78.(hh) 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 2009-2010 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.

The sum of three hundred ninety-one thousand six hundred forty-two dollars ($391,642) in the Department of Health and Human Services Block Grant Plan Management Plan for the 2009-2010 fiscal year funding request is designated for new initiatives, survey and immunization activities, and salary increases. This sum, along with the total amount appropriated in this section to the Department of Health and Human Services, Division of Public Health, for the 2009-2010 fiscal year shall be used for current ongoing activities only.

SECTION 10.78.(ii) The Department of Health and Human Services shall ensure that there will be follow-up testing in the Newborn Screening Program.

SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT

SECTION 10.78.(jj) The sum of two hundred fifty thousand dollars ($250,000) appropriated in this section in the Substance Abuse Prevention and Treatment Block Grant to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the 2009-2010 fiscal year shall be used to implement one or more priority recommendations of the North Carolina Institute of Medicine (NCIOM) Substance Abuse Task Force, which include:

(1) Development of a comprehensive substance abuse prevention plan for use at the State and local levels.

(2) Providing funding for the establishment of six pilot projects to implement county or multicounty comprehensive prevention plans.

(3) Supporting efforts to reduce high-risk drinking on college campuses.

(4) Development of a pilot program to provide chronic disease management services to substance abuse clients and former clients. The purpose of the pilot is to decrease the number of short-term hospital admissions and to provide discharge planning and follow-up to reduce substance abuse client recidivism.

(5) Educating and encouraging health care professionals to use the screening, brief intervention, and referral to treatment (SBIRT) model promoted by the federal government.

COMMUNITY SERVICES BLOCK GRANT

SECTION 10.78.(kk) In accordance with the intent of the American Recovery and Reinvestment Act, the North Carolina General Assembly strongly encourages recipients of Community Services Block Grant and Community Services Block Grant Recovery funds to enhance cooperation with county departments of social services and regional food banks to increase benefits enrollment for eligible persons.

SECTION 10.78.(ll) The sum of two hundred sixty two thousand four hundred thirty one dollars ($262,431) appropriated in this section in the Community Services Block Grant, received through the American Recovery and Reinvestment Act (ARRA), to the Department of Health and Human Services, Division of Social Services, for the 2009-2010 fiscal year shall be used for coordination activities relating to the identification and enrollment of eligible individuals and families in federal, State, and local benefit programs.

MINUTES

HEALTH AND HUMAN SERVICES
APPROPRIATIONS SUBCOMMITTEE

WEDNESDAY JUNE 24, 2009
4:30 PM
REP. INSKO'S DESK IN HOUSE CHAMBER SEAT #70

The Joint Appropriations Subcommittee on Health and Human Services met Wednesday June 24, 2009 at 4:30 pm at Rep. Insko desk in House Chamber seat # 70. Representative Verla Insko presided. Rep. Insko called the meeting to order.

The following members were present; Representative's, Verla Insko, Bob England, Pearl Burris-Floyd, Wil Neumann, and Randy Stewart. A hard copy of the roll denoting members present is attached to the minutes along with a copy of the visitor's registration and agenda sheet.

Rep. England explained Senate Bill 324, AN ACT TO REMOVE THE SUNSET ON AN ACT TO EXEMPT FROM PRIOR AUTHORIZATION REQUIREMENTS FOR PRESCRIPTION DRUGS UNDER THE MEDICAID PROGRAM ANTIHEMOPHILIC DRUGS PRESCRIBED FOR THE TREATMENT OF HEMOPHILIA AND BLOOD DISORDERS. Rep. England motioned for a favorable report, Rep. Insko second the motion. The motion passed. The meeting was adjourned at 4:35 pm.

Representative Verla Insko
Chair

Gina Insko
Committee Assistant

ATTENDANCE

APPROPRIATIONS SUBCOMMITTEE ON HEALTH AND HUMAN SERVICES

(Name of Committee)

DATES	3-11-09	3-19-09	4-7-09	4-16-09	4-28-09	5-5-09	5-19-09	5-21-09	6-24-09						
REP. VERLA INSKO - CHAIR	X	X	X	X	X	X	X	X	X						
REP. BEVERLY EARLE - CHAIR	X		X	X	X	X	X	X							
REP. BOB ENGLAND - CHAIR	X		X	X	X	X	X	X	X						
REP. JEFF BARNHART VICE-CHAIR	X			X		X	X	X							
REP. JEAN FARMER-BUTTERFIELD VICE-CHAIR	X	X	X	X	X	X	X	X							
REP. WILLIAM BRISSON	X	X	X	X	X	X		X							
REP. JUSTIN BURR		X	X		X		X								
REP. PEARL BURRIS-FLOYD		X	X	X	X	X	X		X						
REP. NELSON DOLLAR		X			X	X	X	X							
REP. WIL NEUMANN	X	X		X	X	X	X	X	X						
REP. RANDY STEWART		X	X		X	X	X	X	X						
Sen. William Purcell	X	X													
Sen. Doug Berger	X	X													
Sen. Martin Nesbitt	X	X													
Sen. Charles Dannelly															
Sen. Blake Harris	X	X													
Sen. Debbie Clary	X	X													
Sen. James Forrester		X													
STAFF															
Melanie Bush	X	X		X	X	X	X	X							
Lee Dixon	X	X		X	X	X	X	X							
Lisa Hollowell	X	X		X	X	X	X	X							
Bruce Ball	X	X		X	X	X	X	X							

2009 PERMANENT SUBCOMMITTEE REPORT
HOUSE OF REPRESENTATIVES

FOR RECOMMENDING BILLS TO STANDING COMMITTEE OR TO THE FLOOR OF THE HOUSE
The following report(s) from permanent sub committee(s) is/are presented:

By Representative(s) Earle, England, Insko (Chairs) for the Appropriations Subcommittee on Health and Human Services.

☐Committee Substitute for
SB 324 A BILL TO BE ENTITLED AN ACT TO REMOVE THE SUNSET ON AN ACT TO EXEMPT FROM PRIOR AUTHORIZATION REQUIREMENTS FOR PRESCRIPTION DRUGS UNDER THE MEDICAID PROGRAM ANTIHEMOPHILIC DRUGS PRESCRIBED FOR THE TREATMENT OF HEMOPHILIA AND BLOOD DISORDERS.

WITH APPROVAL OF STANDING COMMITTEE CHAIR(S) FOR REPORT TO BE MADE DIRECTLY TO THE FLOOR OF THE HOUSE:

Representative Michaux, Adams, Alexander, Crawford, Haire, Jeffus, Tolson, Yongue (Chairs) for the Standing Committee on Appropriations.

s/ _____

s/ _____

s/ _____

☒With a favorable report.

(FOR JOURNAL USE ONLY)

_____ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on _____.

_____ Pursuant to Rule 36(b), the bill/resolution is placed on the Calendar of _____.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

S 1

SENATE BILL 324

Short Title:	Medicaid/Hemophilic Drugs/No Prior Auth.	(Public)
Sponsors:	Senators Queen; Atwater, Berger of Franklin, Bingham, Boseman, Foriest, Forrester, Goss, Hartsell, Malone, Nesbitt, Purcell, Rand, Snow, Stevens, and Tillman.	
Referred to:	Health Care.	

February 26, 2009

A BILL TO BE ENTITLED

AN ACT TO REMOVE THE SUNSET ON AN ACT TO EXEMPT FROM PRIOR AUTHORIZATION REQUIREMENTS FOR PRESCRIPTION DRUGS UNDER THE MEDICAID PROGRAM ANTIHEMOPHILIC DRUGS PRESCRIBED FOR THE TREATMENT OF HEMOPHILIA AND BLOOD DISORDERS.

The General Assembly of North Carolina enacts:

SECTION 1. Section 2 of S.L. 2003-179, as amended by Section 1 of S.L. 2005-83, reads as rewritten:

"**SECTION 2.** This act is effective when it becomes ~~law and expires July 1, 2009.~~ law."

SECTION 2. This act is effective when it becomes law.

MINUTES
Appropriations Subcommittee on
Health and Human Services

June 20, 2010

The Appropriations Subcommittee on Health and Human Services met in Room 643 on June 20, 2010. Representative Bob England presided and called the meeting to order at 2:00 p.m. Chairman England then welcomed all members and visitors, and introduced the Pages and Sergeant at Arms who would be assisting with the meeting. The following members were present; Chairs: Representatives Earle and Insko, and Vice Chairs: Representatives Barnhart and Farmer-Butterfield. Members: Representatives Brisson, Burr, Burris-Floyd, Dollar, Neumann. A copy of the agenda, attendance, and visitor registration is attached, (Attachment 1, 2 and 3).

Chairman England then recognized members of the General Assembly staff to present the Targets and Reductions, a Report on the Continuation, Expansion and Capital Budgets, and the Senate version of the Health and Human Services Budget to the Committee. Lisa Hollowell, Melanie Bush, Lee Dixon, and Bryce Ball presented the Legislative changes for each of the Divisions within the Department of Health and Human Services. Following the presentations, Chairman England recognized members of the Committee for questions of staff and the Department.

Chairman England then thanked all members and visitors for their attendance and adjourned the meeting. Copies of the three presentations are attached to these minutes, (Attachments 4-6).

Representative Bob England, MD
Chairman

Lisa W. Brown
Committee Assistant

Attachment 1

Rep. Beverly Earle
Rep. Verla Insko
Rep. Bob England
Rep. Jeffrey Barnhart
Rep. Jean Farmer-Butterfield
Rep. William Brisson
Rep. Justin Burr
Rep. Pearl Burris-Floyd
Rep. Nelson Dollar
Rep. Wil Neumann
Rep. Randy Stewart

HOUSE APPROPRIATIONS SUBCOMMITTEE FOR HEALTH AND HUMAN SERVICES

AGENDA

May 20, 2010, 2:00PM
Room 643, LOB

Chairs

Representative Beverly Earle
Representative Verla Insko
Representative Bob England

House Spending Target and Schedule
FRD Staff

Review of the Senate's Budget
FRD Staff

Attachment 2

ATTENDANCE

Appropriations Subcommittee on Health and Human Services

DATES	5-20-2010													
Rep. Beverly Earle, Chair	X													
Rep. Bob England, Chair	X													
Rep. Verla Insko, Chair	X													
Rep. Jeff Barnhart, Vice Chair	X													
Rep. Farmer-Butterfield, Vice Chair	X													
Rep. William Brisson	X													
Rep. Justin Burr	X													
Rep. Pearl Burris-Floyd	X													
Rep. Nelson Dollar	X													
Rep. Wil Neumann	X													
Rep. Randy Stewart														
Sen. William Purcell, Chair														
Sen. Doug Berger, Chair														
Sen. Charlie Dannelly														
Sen. Martin Nesbitt														
Sen. Harris Blake														
Sen. Debbie Clary														
Sen. James Forrester														
Staff														
Lisa Hollowell, Team Leader	X													
Melanie Bush	X													
Lee Dixon	X													
Bryce Ball	X													

Attachment 3

VISITOR REGISTRATION SHEET

Health + Human — 5-20-10

Name of Committee — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
W. Gordon Culpepper	NCNA
Mary Bethel	AARP-NC
Louisa Warren	NC Justice Ctr
Paula A. Wolf	March of Dimes
Wayne Williams	OSBM
Heather Laffoon	OSBM
John Dean	Governor's Office
Kari Barsness	OSBM
[illegible]	MHM
Robert Blackburn	ANCBH
[illegible]	[illegible]

VISITOR REGISTRATION SHEET

Health + Human — 5-20-10

Name of Committee — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Brian Dempsey	NWC
ANTHONY ALLEN	NCACC
Randall Proctor	Pitt County
John Morrow	Pitt Co. Public Health
Beth Kincaid	John Locke Foundation
Kellie Slappey	" " "
Linda Bunten	NCAE
DANIEL BLUM	TROUTMAN SANDERS
Vincent Stephens	CMS
Dan Hoff	NFB of NC Wake Co Chapter

VISITOR REGISTRATION SHEET

5/20/10

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Jodi Maynard	GDM; Assoc.
Joni Allen	BEGINNINGS
Jon Allen	NMRS
John Mitchell	TPG
[illegible]	NMRS
Gary Sacamiso	GSK
Elizabeth Hudgins	CFTF
Abby Emanuelson	NMSS-NC
Annalrese Boem	DRNC
Jennifer Maher	MHANC
Elizabeth Ireland	Covenant With NC's Children

VISITOR REGISTRATION SHEET

Name of Committee

5/20/10
Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Stephan Fayyad	Smart Start
Buck Gunnells	NC Beverage A
Amy McConkey	NC Beverage Assn
Trica Nelson	NC Council Community Programs
DAVID BARNES	Poyner Spruill
Lee-Ann Chapman	NCPA
Kristi Huff	NCHCFA
Lou Watson	NCALTCF
Fred Box	Box Assn.
John Bowdish	Astra Zeneca
Andrew Cagle	DLC and Assoc
Jim Webster	Jr Waters Assn

VISITOR REGISTRATION SHEET

5/20/10

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Tracy Kimbrell	Parker Poe
[signature]	NCVPA
Bill Rustin	AGP
Chris Killian	Nelson Mullins
Dana Sitton	Smith Anderson

HOUSE PAGES

NAME OF COMMITTEE Approp Health & Human Svc DATE 5/20/10

1. Name: _____

   County: _____

   Sponsor: _____

2. Name: _____

   County: _____

   Sponsor: _____

3. Name: _____

   County: _____

   Sponsor: _____

4. Name: _____

   County: _____

   Sponsor: _____

5. Name: _____

   County: _____

   Sponsor: _____

SGT-AT-ARM

1. Name: Avent, T Boissaint
2. Name: McLennan, Don
3. Name: Darrish Martha
4. Name: Gadson Martha

Attachment 4

2010 Session
House Appropriations Chairs' Guidance for Subcommittees

Health and Human Services Subcommittee

Target: **$3,916,087,568**

1. Follow the guidelines in the "Approach to Developing the 2010-11 Budget" document.
2. Medicaid growth is to be covered within the spending target.
3. Propose cuts in Medicaid and Health Choice that slow growth.
4. Establish parity in services in Medicaid and Health Choice as compared to the State Health Plan (where feasible).
5. Consider consolidating pre-k and child development programs (Smart Start and More at Four).
6. Review programs for possible elimination.
7. The targets assume are net of federal recovery FMAP funds, which will show up as a reduction in your money report.
8. Pursue the possibility of redirecting State funds appropriated for ADAP to fund High Risk Pool medical premiums, to allow NC's ADAP patients to enroll in the new High Risk Pools made possible under federal Health Care Reform.
9. Identify Special Funds that divert revenue from the General Fund; if possible, permanently close the funds and transfer balances and responsibilities to the General Fund.
10. Coordinate with other subcommittees on items that cross agencies or programs such as:
    - Education Subcommittee and More at Four

N.C. HOUSE APPROPRIATIONS SUBCOMMITTEES APPROACH TO DEVELOPING THE 2010-11 BUDGET

As you conduct subcommittee activities and deliberations, please develop subcommittee spending proposals as follows:

1. **No Expansion Except for Economic Development**

2. **Continuation Reviews and Items Funded Non-recurring in FY 2009-10**
   Funding may be provided to continue programs under Continuation Review, if justified, or for other items funded with non-recurring funds in the FY 2009-10, only on a non-recurring basis within subcommittee spending targets.

3. **Build on Governor and Senate Budget Reduction Proposals**
   Focus on:
   - Individual programs, including non-essential, ineffective, obsolete, redundant or new programs and services.
   - Specific line items within programs. (See list at bottom of page.)

4. **Use Governmental and Proprietary Fund Cash Balances**
   Cash balances can be transferred to the General Fund; expenditures can be transferred to the other funds.

5. **Consider FY 2009-10 Agency Spending Level**
   Review current agency spending level to see if the Governor's holdbacks for State agencies can be made permanent.

6. **Review Vacant Positions for Potential Reduction**

7. **No Fee Increases or Adjustments**
   The Full Chairs of House Appropriations may consider exceptions on a case-by-case basis.

8. **Use Federal Receipts**
   Budget any federal receipts such as American Recovery and Reinvestment Act (ARRA) and Temporary Assistance for Needy Families (TANF). To the extent possible and allowed by federal regulations, use the funds for supplanting and for non-recurring needs.

9. **Finally, Consider Applicable Recommendations Found In Any of the Following:**
   - Reports issued by the General Assembly's Program Evaluation Division
   - Prior and current studies and Continuation Reviews, particularly those mandated in S.L. 2009-451.

Specific Line Items within Agencies To Consider

1. Direct appropriations and grants to nonprofit organizations
2. Salary Reserves
3. Contracted services, personal and miscellaneous
4. Rental/lease of equipment, including cellular phones
5. Travel and other employee expense
6. Furniture and equipment replacement schedules
7. Loan programs

May

Sun	*Mon*	*Tue*	*Wed*	*Thu*	*Fri*	*Sat*
						1
2	**3**	**4** ***Primary Elections***	**5**	**6** Review 5% Options in Subcommittee	**7** Review 5% Options in Subcommittee	**8**
		Senate Subcommittees Meet				
9	**10**	**11**	**12** ***Session Convenes***	**13**	**14** Draft Reports in Subcommittee & **Senate Full Chairs Meet to Finalize Decisions**	**15** Staff Prepares Bill
	Senate Subcommittees Continue to Meet and Begin Reporting					
16 Staff Prepares Bill	**17** **AM:** Senate Full Chairs Review Bill **PM:** Senate Subcommittees Review Bill/Vote	**18** Senate Full Appropriations & 1st Reading	**19** **House Issues Targets**	**20** Senate 3rd Reading House Reviews Senate Budget	**21** House Subcommittees Meetings	**22**
23	**24** Subcommittee Meetings; Chairs begin Reviews w/Subcommittees 7:00 Public Hearing	**25** Chairs begin Reviews w/ Subcommittees	**26** Chairs complete Subcommittee Reviews	**27** Subcommittees Vote	**28** AM: House Full Chairs Meet to Finalize Decisions	**29** Staff Prepares Bill
30	**31**–**Memorial Day**					

2010

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Revised House Appropriations Schedule as of May 18 – 2010 Session

June

Sun	*Mon*	*Tue*	*Wed*	*Thu*	*Fri*	*Sat*
		1 **House Full Appropriations**	**2**	**3**	**4** House 3rd Reading Conferees Appointed	**5**
6	**7**	**8** Conferees Meet to Resolve Differences	**9**	**10**	**11**	**12**
13	**14**	**15** Conferees Meet to Resolve Differences	**16**	**17**	**18**	**19**
20	**21**	**22** **Conferees Finalize Decisions**	**23**	**24**	**25**	**26**
27	**28**	**29** ***Adopt Conference Report***	**30** End of Fiscal Year			

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2010

Joint Health and Human Servic ppropriations Subcommittee

5% Reduction Amount: $216,051,442

5% Reduction Scenario

	FY 2010-11 Certified Budget	Reductions	Revised FY 2010 -11 Appropriation	% Change
Division of Central Management	$74,172,339	($6,599,375)	$67,572,964	-8.9%
Division of Aging and Adult Services	$37,282,029	$0	$37,282,029	0.0%
Division of Child Development	$269,183,962	($6,385,967)	$262,797,995	-2.4%
Office of Education Services	$36,844,718	($3,145,495)	$33,699,223	-8.5%
Division of Public Health	$160,515,329	($11,291,026)	$149,224,303	-7.0%
Division of Social Services	$208,589,483	($15,403,315)	$193,186,168	-7.4%
Division of Medical Assistance	$2,720,196,757	($165,295,428)	$2,554,901,329	-6.1%
Health Choice	$81,964,241	($114,550)	$81,849,691	-0.1%
Divisions of Services for the Blind, Deaf and Hard of Hearing	$8,649,731	($614,491)	$8,035,240	-7.1%
Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	$664,695,955	($2,015,180)	$662,680,775	-0.3%
Division of Health Service Regulation	$17,914,125	($2,084,143)	$15,829,982	-11.6%
Division of Vocational Rehabilitation	$41,020,173	($3,102,472)	$37,917,701	-7.6%
Total Health and Human Services	**$4,321,028,842**	**($216,051,442)**	**$4,104,977,400**	**-5.0%**

5% Reduction Amount:	**($216,051,442)**
Difference from 5% Reduction Amount:	**$0.00**

	Item	Options for Consideration 5% Scenario R	NR
Reductions			
Department of Health and Human Services			
Division of Central Management			
1	Operating Reduction	(263,581)	-
2	Medical and Dental Loan Repayment	(115,069)	-
3	Psychiatric Loan Repayment	(75,680)	-
4	Over-realized Receipts (Controller's Office)	(1,362,201)	-
5	Key Program: Reduce Rental Subsidy Funds Per Available Units	-	(561,000)
6	Eliminate Appropriations - CCNC Grants	(183,833)	-
7	Eliminate Pesticide Task Force Funds	(39,430)	-
8	Reduction in IT Charges (DIRM)	(937,161)	-
9	Position Eliminations	(1,307,166)	-
10	Key Program: Supplant Rental Subsidy Appropriations w/ Federal Receipts	-	(1,497,250)
11	NC CARE-LINE - Transition After-hours Calls	(257,004)	-
Division of Central Management Subtotal		**(4,541,125)**	**(2,058,250)**
Division of Child Development			
12	Position Eliminations	(124,449)	-
13	Operating Reduction	(261,518)	-
14	Electronic Payment System	(6,000,000)	-
Division of Child Development Subtotal		**(6,385,967)**	**-**
Office of Education Services			
15	Position Eliminations	(2,304,004)	-
16	Reduce Food Service Staff to Child Nutrition Recommended Staffing Ratios	(282,991)	-
17	Reduce Temporary Staffing Budget	(58,500)	-
18	Reduce OES Administrative Positions	(500,000)	-
Office of Education Services Subtotal		**(3,145,495)**	**-**
Division of Public Health			
19	Operating Reduction	(443,530)	-
20	Children's Developmental Services Agency (CDSA) Contract Funding	(2,600,000)	-
21	Position Eliminations	(750,000)	-
22	Community Focused Eliminating Health Disparities Contracts Reduction	(85,895)	-
23	Office of Minority Health Interpreter Services Aid to County Contract Reduction	(11,000)	-
24	Women's Health Perinatal Outreach & Family Health Resource Line Contracts	(400,601)	-
25	Immunization Program Funding	(6,400,000)	-
26	Medicaid Funding for WIC Metabolic Foods	(600,000)	-
Division of Public Health Subtotal		**(11,291,026)**	**-**
Division of Social Services			
27	Operating Reduction	(492,000)	-
28	DAAS-Adult Care Home Case Management Services	(150,000)	-
29	Position Eliminations	(1,200,000)	-
30	Economic Services Contract	(192,166)	-
31	Child Support Enforcement Consolidation and Reduction	(1,582,777)	-
32	NCREACH - Shift to Receipt Support	-	(3,168,250)
33	Child Welfare Contracts	(1,238,821)	-
34	Reduce Contract - Orphan Foundation of America (NCREACH)	(160,507)	-
35	Eliminate Work First State Supplement - Electing Counties	(2,378,213)	-
36	State/County Special Assistance - Revised Projections	(3,388,044)	-
37	FMAP Extension - Foster Care & Adoption Assistance	-	(1,452,537)
Division of Social Services Subtotal		**(10,782,528)**	**(4,620,787**

	Item	Options for Consideration 5% Scenario R	NR
Division of Medical Assistance			
38	CCNC Savings	(15,000,000)	-
39	MH Drugs on PDL	(10,000,000)	-
40	Fraud & Abuse IT System	(36,188,013)	-
41	Personal Care Services	(36,901,827)	-
42	Medicaid Fraud (AGO Staffing)	(1,000,000)	-
43	Lock Narcotics Into Single Pharmacy/Doctor	(603,000)	-
44	Capitated Behavioral Health Pilot Programs	(1,560,600)	-
45	Eliminate Reimbursement of "Never Events"	(5,000,000)	-
46	Expand the Health Insurance Premium Payment Program (HIPP)	(3,000,000)	-
47	Administrative Efficiencies	(180,250)	-
48	Pharmacy Program Improvements	(5,566,096)	-
49	Dental Program Improvements	(16,982)	-
50	Implement Independent Assessments on High-Cost Services	(9,278,660)	-
51	Enhanced Mental Health Changes	(41,000,000)	-
Division of Medical Assistance Subtotal		**(165,295,428)**	**-**
Health Choice			
52	Contract w/ DOC's Nash Optical for Optical Supplies	(114,550)	-
Health Choice Subtotal		**(114,550)**	**-**
Divisions of Services for the Blind, Deaf and Hard of Hearing			
53	Consolidate SAB Program w/ DAAS	(287,807)	-
54	Rehabilitation Services	-	(150,428)
55	DSDHH Cost Allocation	(20,417)	-
	Independent Living - Overrealized Receipts	(155,839)	-
isions of Services for the Blind, Deaf and Hard of Hearing Subtotal		**(464,063)**	**(150,428)**
Division of Mental Health, Developmental Disabilities, and Substance Abuse Services			
57	Position Elimination	(76,715)	-
58	Convert Whitaker School to a Psychiatric Residential Treatment Facility	(1,938,465)	-
Division of Mental Health, Developmental Disabilities, and Substance Abuse Services Subtotal		**(2,015,180)**	**-**
Division of Health Service Regulation			
59	Close Lexington Office/ Eliminate Positions	(92,038)	-
60	Medicaid Funding for Home Care	(104,739)	-
61	Establish and Implement Fees for Medication Aide Testing	(110,575)	-
62	Establish and Implement Fees for Adult Care Administrator Testing & Renewals	(35,240)	-
63	Nursing Home Licensure Certification	-	(1,741,551)
Division of Health Service Regulation Subtotal		**(342,592)**	**(1,741,551)**
Division of Vocational Rehabilitation			
64	Position Eliminations	(516,798)	-
65	Reduce Aid & Public Assistance - VR Basic Support	-	(2,585,674)
Division of Vocational Rehabilitation Subtotal		**(516,798)**	**(2,585,674)**
Department Subtotal		**(204,894,752)**	**(11,156,690)**
Total Adjustments		**(204,894,752)**	**(11,156,690)**

Attachment 5

Senate Appropriations Committee

Report on the Continuation, Expansion and Capital Budgets

SB 897

Health and Human Services

For

House Appropriations Subcommittee

Health and Human Services

May 20, 2010

Senate Subcommittee on Health and Human Services

Health and Human Services

GENERAL FUND

Total Budget Approved 2009 Session	FY 10-11 $4,321,028,842

Budget Changes

(1.0) Division of Child Development

1	**Equipment, Travel and Supplies** Reduces the funding within the operations budget. This reduction holds the Division to its FY2009-10 spending level for operations.	($261,518)	R
2	**Vacant Positions** Eliminates two vacant positions within the Division of Child Development. The positions to be eliminated are Administrative Assistant I budgeted at $31,564 and an Administrative Officer III budgeted at $41,173. These positions have been vacant longer than six months.	($72,737) -2.00	R
3	**Child Care Subsidy** Replaces State funding for child care subsidy with Temporary Assistance for Needy Families Block Grant (TANF) funds for FY2010-11.	($24,756,300)	NR
4	**Electronic Payment System** Reduces funds available within the Division of Child Development in anticipation of saving money related to better management and tracking of child care subsidy expenditures. The new system will reduce expenditures associated with fraudulent and inaccurate payments.	($6,000,000)	R
5	**Smart Start** Reduces funding for the North Carolina Partnership for Children, Inc. This is a 5.2% reduction and the remaining funding totals $183 million.	($10,000,000)	R

6 Health Initiatives ($5,000,000) R

Reduces funding for the Smart Start Health Initiatives, currently funded at approximately $8 million annually. Remaining Health Initiatives funding will be used to leverage federal funds to pay for health-related activities funded through Smart Start.

(2.0) Division of Mental Health, Developmental Disabilities, and Substance Abuse Services

7 School-based Child and Family Teams ($523,638) R

Eliminates funding available for system coordinators within the 15 LME pilot areas. These funds support 18 Care Coordinators.

8 Vacant Position ($84,864) R

Reduces funding for a vacant position within the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services. This position is a Mental Health Program Administrator II and has been vacant for one year. This position is budgeted at $84,864 and the work location is Raleigh. -1.00

9 State Service Funds ($4,461,202) NR

Replaces State funding with the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services with federal Mental Health and Substance Abuse block grant funds for FY2010-11. The total includes $1,731,432 from the Mental Health Block Grant and $2,729,770 from Substance Abuse Block Grant. This is a one-time swap of state with federal funds.

10 Division Management Funds ($7,180,807) NR

Reduces unobligated funding available at the Division's discretion for one-time needs of community providers or LME system needs. The total includes $1,169,355 for mental health, $3,398,534 for developmental disabilities, and $2,612,918 for substance abuse services. These funds have historically been spent to address specific one-time needs; these funds are not allocated to LMEs for service provision.

11 Convert Whitaker School to a PRTF ($1,938,465) R

Reduces State funds for the Whitaker School; the program will become a Psychiatric Residential Treatment Facility in which services are Medicaid reimbursable.

	FY 10-11	
12 Local In-Patient Bed Capacity Increases funds available for the three-way contracts to purchase local hospital bed capacity for crisis response within the community. These funds will support the purchase of an estimated 50 beds, bringing the funding to $32 million.	$12,000,000	R
13 Training in Facilities Increases funds available for training direct care staff and front line leaders in patient care. Training will include medication administration, therapeutic communication, clinical and legal aspects of documentation and cultural awareness.	$534,795	R
14 Community Service Funds Provides funding for community service funds administered through Local Management Entities. An additional $17 million of TANF funds is allocated to fully restore the $40 million non-recurring reduction for FY2010-11.	$23,000,000	NR
15 Leadership Academy Provides funds for a Mental Health Leadership Academy for training for Mental Health managers, finance/budget officers, and other leaders within Local Management Entities.	$250,000	
(3.0) Division of Central Management and Support		
16 Key Program Reduces funding available for Key Program rental subsidies. The Key Program provides rental assistance for disabled persons in targeted Low-Income Housing Tax Credit (LIHTC) units. Approximately 187 rental units will not be completed during FY 2010-11, thereby reducing projected requirements for subsidies.	($561,000)	NR
17 Information Technology Services Reduces recurring funding within the Division of Information Resource Management for ITS telecommunication data services ($300,564), computer/data processing ($286,597), and ITS managed local area network services ($350,000). Transitioned CSE programs, effective July 1, 2010, will assume responsibility for ITS charges for telecommunications services. Remaining reductions reflect ITS rate reductions and decreased mainframe use as new applications come online.	($937,161)	R

18 Over-Realized Receipts ($1,362,201) R

Reduces funding with the Controller's Office. This reduction will be offset by budgeting additional receipts regularly received but not currently budgeted.

19 CARE-LINE ($257,004) R

Reduces the hours of operation for the Department of Health and Human Services CARE LINE to regular business hours, and transfers after-hour calls to the Martin County Call Center. Approximately 20% of calls are presently received after regular business hours.

-4.00

20 Equipment, Travel and Supplies ($263,581) R

Reduces funding for equipment, travel, and supplies within the Division of Central Management and Support. This reduction was also taken on a non-recurring basis during FY 2009-10 to meet the projected revenue shortfall.

21 Position Eliminations ($1,228,875) R

Eliminates positions within the Division of Central Management.

-20.00

22 Pesticide Task Force ($39,430) R

Eliminates funding for the Pesticide Task Force activities. These activities are paid for through the federal NC Farmworker health grant.

23 Community Care of NC Grants ($183,833) R

Eliminates State appropriation for demonstration grants--obesity, stroke prevention, and emergency room diversion--to test alternative methods to managing the utilization of health care services. demonstration projects within the CCNC program.

24 Rural Health Loan Repayment Program ($190,749) R

Reduces funding for the Rural Health Loan Repayment Program. This reduction amount represents three contracts for health providers.

25 Special Olympics $100,000 NR
Provides funding for a grant-in-aid to Special Olympics.

(4.0) Division of Public Health

26 Minority Health Interpreter Services ($11,000) R
Reduces state appropriations for local health department service contracts that meet the language needs of clients.

27 Community Focused Eliminating Health Disparities Contracts ($85,895) R
Reduce State appropriations for state and local health department contracts by less than 3 percent.

28 Division of Public Health Contracts ($400,601) R
Reduces State appropriations remaining in two contracts- Perinatal Outreach and Family Health Resource Line-that have been eliminated.

29 Accreditation of Local Health Departments ($650,000) NR
Suspends for an additional year the Division of Public Health's evaluation and accreditation of Local Health Departments (LHDs). Centers for Communicable Disease and Prevention is scheduled to launch a nationwide effort to accredit local health departments to national standards in 2011.

30 Medicaid Funding for WIC Metabolic Foods ($283,477) R
Replace State appropriations with Medicaid funding for Medicaid-eligible children requiring a diet of metabolic foods.

31 Position Eliminations ($900,000) R
Eliminates 27 positions in Division of Public Health. -27.00

32 Operations Reduction ($443,530) R
Reduces State appropriations for equipment, travel, and supplies at Division offices.

33 Immunization Changes ($15,894,853) R

Eliminates State appropriation for the purchase of vaccines, for which health care providers, including local health departments, can be billing health insurers for reimbursement. North Carolina Health Insurers reimburse for the full series of standard immunizations recommended by Centers for Disease Control and Prevention (CDC) and the American Academy of Family Physicians; and required by the North Carolina Immunization Program.

34 Children's Development Services Agency ($2,600,000) R

Offsets General funds with overrealized receipts from Medicaid. This program has been increasing its third party collections.

35 School Health Nurses $1,000,000 R

Provides funds to hire 20 additional school nurses to bring the total number of school health nurses supported by the Division of Public Health to 265.This is in addition to the 20 school nurses provided for in SFY 2010-11 in S.L. 2009-451, Sec. 10.24.

36 AIDS Drug Assistance Program $14,177,632 R

Provides State funds to continue to serve people in the AIDS Drug Assistance Program who are enrolled as of July 1, 2010. These funds will allow eligible individuals with annual incomes of up to 125% FPL, who are on the waiting list as of July 1, 2010 to be enrolled. To the degree that funds are available, additional people will be enrolled in the program.

(5.0) NC Health Choice

37 Optical Supplies ($114,550) R

Directs the Health Choice Program to contract with Department of Correction for optical supplies.

38 NC Health Choice Transition Staff $59,475 R

Provides State funds for three staff to transition the administration of NC Health Choice from the State Health Plan to the Division of Medical Assistance. The staff includes two time-limited employees for clinical policy and provider enrollment and one permanent employee for program integrity activities.

39 NC Health Choice Enrollment $6,500,000 R

Provides State appropriation to increase enrollment in Health Choice by 2% or 2,750 children for a total of 137,789 children served by the program.

(6.0) Division of Medical Assistance

40 CCNC Savings ($45,000,000) R

Provides savings in overall Medicaid expenditures through the expanded efforts of the Community Care Network of North Carolina (CCNC). DHHS contracts with CCNC to manage utilization of Medicaid services. Savings will be generated by expanding CCNC's care management programs in hospital discharge, mental health; palliative care, and pharmacy. The improved Informatics system will enhance data integration, analytics, and reporting, increasing performance and cost savings.

41 Maternal Outreach Workers (MOW) ($292,974) R

Transitions pregnant women receiving services through Local Health Departments from Maternal Outreach Workers (MOW) to services provided by Maternal Care Coordinators (MCC) and Children Services Coordinators (CSC). MCC and CSC personnel are required to have a Bachelor's Degree.

42 Pharmacy Program Improvements ($5,566,096) R

Generates savings by implementing various pharmacy program improvements, including collecting drug rebates on certain prescription drug claims ($3.6 million); stopping reimbursement for lost prescriptions ($252,000); requiring prior approval on brand drugs when 'medically necessary' is written on the prescription ($938,700); creating a specialty drug network for dispensers of certain high cost drugs ($316,040); requiring prior approval on all requests for the drug Synagis ($376,253); and eliminating the ineffective FORM pharmacy program ($83,103).

43 Prescription Vitamins ($777,138) R

Eliminates Medicaid coverage of prescriptions for vitamins and minerals that are available over-the counter, while continuing to reimburse for multi-vitamin prescriptions for pregnant women.

44 Narcotic Prescriptions ($603,000) R

Reduces General Fund appropriations for Medicaid pharmacy by locking Medicaid enrollees with a narcotic prescription (e.g. Vicodin, Benzodiazipine) into a single pharmacy and single doctor to prevent pharmacy and doctor shopping and narcotics abuse.

45 Mental Health Drug Savings ($10,000,000) R

Generates savings by adding mental health drugs to the Preferred Drug List (PDL), which were previously not part of the PDL savings, and also requires prior authorization but only for off-label prescribing of mental health drugs.

46 Capitated Behavior Health Pilot Programs ($1,560,600) R

Expands the capitated behavioral health pilot program to two additional local management entities (LMEs), effective January 1, 2011. Effort is based on the Piedmont Behavioral Health pilot.

47 Prior Authorization for Children's Outpatient Mental Health Services ($933,547) R

Establishes Prior Authorization for Children's Outpatient Mental Health Services at 16 visits versus the current 26 visits.

48 Independent Assessments on Mental Health Services ($7,730,207) R

Implements independent assessments on various mental health services in the Medicaid program. Prior to the service being delivered, an independent assessment will be conducted to ensure the proper utilization of services.

49 Enhanced Mental Health Changes ($41,000,000) R

Modifies the community support team (CST) service for adults to limit the number of hours from 18 per week to 5, and reduces the rate from $15.60 per unit to $11.80 per unit. Savings also reflect a delay in the implementation of the Peer Support program by six months, effective January 1, 2011.

50 In-Home Personal Care Services ($59,805,207) R

Reforms the In-Home Personal Care Services program to provide care to those individuals at greatest risk of needing institutional care. Reform includes the elimination of in-home PCS services for adults and the creation of a new program for adults with the most intense needs - those needing assistance with three or more activities of daily living (ADLs).

51 Dental Program Improvements ($16,982) R

Generates savings by implementing policy improvements in the dental program for children, including implementing limits on imaging for children under the age of 6 years of age; limiting three film radiographs to children aged 13 and older; and limiting the reimbursement for primary teeth composites.

52 Health Insurance Premium Payment Program (HIPP) ($3,000,000) R

Expands the HIPP Program, in which Medicaid pays for employer-based health insurance costs on behalf of Medicaid-eligible individuals when it is less expensive than Medicaid coverage.

53 Reimbursement of 'Never Events' ($5,000,000

Eliminates Medicaid reimbursement of 'never events' in hospital inpatient settings. 'Never events' are certain types of medical issues that develop or are acquired while a person is in a hospital, but should have been prevented. The policy change brings Medicaid in line with Medicare reimbursement.

54 Coverage of Certain Types of Surgery ($125,148) R

Eliminates coverage of certain types of surgery, including breast reduction and mastoplexy (breast lift) surgery ($23,420); panniculectomy surgery ($12,328); and surgery for severe obesity ($89,400).

55 Medical Assistance Co-Payments ($4,530,404) R

Increases current copayment amounts to a maximum of $3.40, and expands collection of copayments to local health departments and outpatient behavioral health services. In addition, implements a $6.80 copayment for nonemergency hospital emergency room (ER) visits.

56 Program Integrity Savings ($36,188,013) R

Generates savings through new Program Integrity initiatives, including Medicaid SWAT teams for on-site investigations, strengthening Medicaid fraud laws, innovative technology to detect fraud and abuse, and prepayment reviews for questionable providers.

57 Attorney General's Office (AGO) Medicaid Investigative Unit Staff Savings ($1,000,000) R

Generates savings by doubling the Medicaid Investigative Unit staff at the AGO to expand the prosecution of Medicaid fraud and abuse. Additional staff will ensure increased prosecution and additional Medicaid funds recovered from fraudulent providers.

58 Contract Reductions ($180,250) R

Reduces payment for duplicative or unnecessary administrative functions performed under the Medicaid contract with HP, including eliminating the processing of duplicative claims and processing prior approval (PA) on claims that do not require PA.

59 ARRA Federal Enhanced Matching Funds Extension ($482,111,583) NR

Reduces General Fund appropriations anticipating that Congress will pass a law extending by six months the enhanced federal matching funds provided under the American Recovery and Reinvestment Act (ARRA) through June 2011.

60 ARRA Medicare Part D Clawback Savings ($79,419,834) NR

Reduces General Fund appropriations based on savings from enhanced federal matching funds provided by the American Recovery and Reinvestment Act (ARRA). The enhanced federal funds offset State funding for Medicaid paid to cover a portion of prescription drug costs paid by Medicare Part D for dually-eligible (Medicaid/Medicare) individuals. Savings also anticipate that Congress will pass legislation extending the enhanced rate for six months, through June 2011.

61 Medicaid Rebase $430,564,713 R

Increases General Fund appropriations to the FY 2010-11 Medicaid budget to account for 5.6% growth in eligibles above current levels ($5,054,765); consumption ($121,867,913); inflation for cost-settled providers ($5,568,149); new services and mix of services ($16,094,752); anticipated cost of flu ($7,985,000); reductions not achieved in the previous fiscal year ($225,537,633); and increased appropriations due to the change in the Federal Medical Assistance Percentage (FMAP) ($48,456,502).

62 Adult Care Home Funds $5,000,000 R

Increases funding for adult care homes based on acuity levels for the personal care services provided in adult care homes. Funding will assist in the development of a 1915(c) Medicaid Assisted Living waiver for individuals that reside in adult care homes that meet skilled nursing level of care and currently receive State County Special Assistance (SA).

(7.0) Division of Health Service Regulation

63 Home Base Licensure and Certification Staff/Lexington Office ($92,038)
$22,797
-2.00

Closes Lexington office and home-bases licensure and certification staff, eliminating operating costs and two administrative positions.

64 Medicaid Funding for Home Care Licensure and Certification ($104,739) R

Generates savings by collecting federal Medicaid receipts to support licensure and certification activities for home care agencies. Since home care agencies are Medicaid providers, this will allow DHSR to collect federal Medicaid receipts.

65 Fee for Adult Care Home Medication Aide Testing ($110,575) R

Establishes a $25 fee for the testing and materials provided to adult care home medication aides to help defray the costs of administering the tests.

66 Fees for Adult Care Home Administrator Testing and Certificates ($35,240) R

Establishes a $50 adult care home administrator test fee and a $30 adult care home administrator certificate renewal fee. Certificate renewals occur every two years.

67 Nursing Home Licensure and Certification Funds ($1,741,551) NR

Replaces General Fund appropriations with federal receipts in the Nursing Home Licensure and Certification Section on a nonrecurring basis. The receipts come from civil monetary penalties assessed against nursing homes.

(8.0) Division of Social Services

68 Equipment, Travel and Supplies ($492,000) R

Reduces funding for equipment, travel, and supplies within the Division of Social Services. This reduction was also taken on a non-recurring basis during FY 2009-10 to meet the projected revenue shortfall.

69 Adult Care Home Case Management ($150,000) R

Reduces over-budgeted funds for adult care home case management services, per historical reversions.

70 Position Eliminations ($959,632) R

Eliminates positions within the Division of Social Services.

-15.00

71 Economic Services Contract ($192,166) R

Eliminates funding for contracted installation and support for Supplemental Nutrition Assistance Program (SNAP) Electronic Benefit Transfer (EBT) infrastructure at Farmers Markets. Federal funds are available to support this initiative, and there has been limited vendor activity to date.

72 Child Support Enforcement Consolidation ($1,282,777) R

Streamlines functions within the Child Support Section and reduces operating funds to coincide with the elimination of sixteen State-operated Child Support Enforcement offices. Effective July 1, 2010, S.L. 2009-451 transitions financial and administrative responsibilities for local child support enforcement to twenty-eight counties presently served by the State offices. Under this proposal, approximately twenty filled and thirteen vacant positions within the central Child Support Section are eliminated.

-33.00

73 Child Advocacy Centers ($375,000) R

Replaces recurring grants-in-aid for the twenty-two accredited Child Advocacy Centers statewide. This reduction is offset by a non-recurring allocation of Social Services Block Grant receipts for services provided by the Child Advocacy Centers during FY 2010-11.

74 NC REACH Post-Secondary Scholarship Program ($160,507) R

($1,584,125) NR

Reduces funding for NC REACH scholarships per projected growth in awards during FY 2010-11. This non-recurring reduction leaves $1,584,125 available to support scholarships in FY 2010-11. In addition, funding for contractual case management services is reduced commensurate with actual FY 2009-10 obligations.

75 Child and Family Teams ($420,804) R

Eliminates funding for twelve child and family team facilitator positions located in the following counties: Anson, Bertie, Duplin, Greene, Halifax, Hoke, Hyde, Martin, McDowell, Nash, Pamlico, and Vance. These funds support facilitator positions established for pilot programs in the above counties. The remaining eighty-eight counties have utilized other resources to hire facilitators.

76 Child Welfare Contracts ($1,238,821) R

Eliminates funding for 1) Multiple Response ($229,086) and Adoption Programs ($459,156); 2) Grants-in-Aid ($413,044) for child placement services; and 3) Methamphetamine Training ($137,535). This reduction eliminates funding for non-mandated services, conferences, and trainings. Additionally, because placement agencies receive standardized rates for children in foster care (standardization effective January 2009), supplementary grants-in-aid are no longer necessary. Lastly, prior Methamphetamine training and support to all county DSS' have led to the creation of community protocols, reducing the need for ongoing training.

77 Electing Counties' Work First State Funds ($2,378,213) R

Replaces funding for Electing Counties' Work First programs with Temporary Assistance for Needy Families (TANF) funds. This reduction does not reduce budgeted funds for Electing Counties' Work First County Block Grants or Work First Family Assistance.

78 State-County Special Assistance ($3,388,044) R

Reduces funding in accordance with projected FY 2010-11 assistance levels. Counties' requirements are likewise reduced, due to equal financial participation for State-County Special Assistance. Projected savings are the result of the Special Assistance rate reduction that took effect October 1, 2009.

79 FMAP Extension - Foster Care & Adoption Assistance ($1,421,552) NR

Reduces funding for foster care and adoption assistance payments per extension of the ARRA enhanced federal financial participation (FMAP) rate - base 6.2 percentage point increase from January 2011 through June 2011.

80 Temporary Assistance for Needy Families (TANF) Funds

Additional TANF funds, totaling $16,176,036, are allocated to the Department of Public Instruction for the More at Four Pre-kindergarten program to replace an equivalent reduction in State funds.

81 Over-Realized Receipts ($450,000) NR

Budgets prior year earned revenue on a non-recurring basis to offset an equivalent reduction in General Fund appropriations.

82 State Funding Authorizations for Counties ($2,390,896) R

Continues a reduction in State funding authorizations for counties for Foster Care/Adoption Title IV-E, Child Protective Services-State, and Child Protective Services Title IV-E. These reductions were implemented during FY 2009-10 to cover the projected revenue shortfall.

83 Food Banks $1,000,000 NR

Provides a non-recurring grant-in-aid to be equally distributed to the six regional food banks within North Carolina.

84 Child Welfare Education Collaborative $239,453 R

Continues support of the Child Welfare Education Collaborative educational assistance program for social work students who commit to working in child protective services in county departments of social services.

(9.0) Office of Education Services

85 Position Eliminations ($2,127,065) R

Eliminates positions within the Office of Education Services.

-50.00

86 Food Service Staffing ($282,991) R

Eliminates ten filled food service staff positions within the residential schools for the blind and deaf. The Department of Public Instruction's Child Nutrition Section, using USDA standards, audited the three residential schools' food service operations and determined that food service operations were over-staffed. Under USDA standards, meals per labor hour should average between 15 and 20. Present ratios at the residential schools are approximately 1.7 meals per labor hour.

-10.00

87 Temporary Staffing ($58,500) R

Reduces funding for temporary wages within the Office of Education Services.

88 Residential School Administrative Staffing ($605,386,

Consolidates functions among residential school administrative positions, requiring the directors of the residential schools to assume full oversight of academic and business operations.

-7.00

Eliminates two filled and one vacant position within the North Carolina School for the Deaf:
School Principal, #60039101 - $101,516
School Assistant Principal, #60039082 - $88,786
School Assistant Principal, #60039080 - $88,804

Eliminates two filled positions within the Eastern North Carolina School for the Deaf:
School Principal, #60039225 - $108,563
School Assistant Principal, #60039138 - $85,317

Eliminates two filled positions within the Governor Morehead School for the Blind:
School Principal, #60039380 - $71,636
School Assistant Principal, #60039392 - $60,764

89 Beginnings, Inc. Contract ($46,459) R

Reduces funding for training of early intervention and public school professionals. This is a 4.8% reduction in total funding for contractual services provided by Beginnings, Inc, leaving $919,730 in recurring funding.

90 Office of Education Services ($2,492,279) R

Eliminates the Office of Education Services Central Office, Resource Support, Governor Morehead School Outreach, Deaf/Blind, and Exceptional Children Support programs.

The oversight of the North Carolina School for the Deaf, Eastern North Carolina School for the Deaf, Governor Morehead School for the Blind, Governor Morehead Preschool, Early Intervention Services - Preschool, and Family Resource Center programs is transferred to the Department of Public Instruction, Exceptional Children Division by Type I transfer.

(11.0) Divisions of Services for the Blind and Services for the Deaf and Hard of Hearing

91 Special Assistance for the Blind Consolidation ($287,807) R

Merges the Special Assistance for the Blind sub-program presently administered by the Division of Services for the Blind with the State-County Special Assistance program within the Division of Aging and Adult Services. -1.00

92 Over-Realized Receipts ($176,256) R
($150,428) NR

Budgets receipts within the Division of Services for the Blind as follows: 1) Social Security Administration receipts ($150,428) per successful vocational rehabilitation client employment outcomes on a non-recurring basis; and 2) Other vending receipts ($155,829) for independent living services.

In addition, $20,417 in Telecommunications Relay Trust Fund receipts are budgeted within the Division of Services for the Deaf and Hard of Hearing for general administration. These additional receipts were identified during FY 2009-10 through updates to DHHS cost allocation plans.

These cumulative receipts offset equivalent reductions in General Fund appropriations.

	FY 10-11	
93 Position Eliminations Eliminates positions within the Divisions of Services for the Blind, Deaf and Hard of Hearing.	($93,421) -2.00	R
94 Accessible Electronic Information for Blind and Disabled Persons Funds contracted electronic information services, which allow visually-impaired persons to access print media through telephone systems.	$75,000	NR
(12.0) Division of Vocational Rehabilitation		
95 Position Eliminations Eliminates positions within the Division of Vocational Rehabilitation Services.	($516,798) -8.00	R
96 Aid & Public Assistance - Vocational Rehabilitation Basic Support Reduces funding for vocational rehabilitation (VR) services. This reduction reflects maintenance of effort requirements for the VR Basic Support Grant, and leaves $22,957,317 in appropriations for case services. DHHS implemented a non-recurring reduction of $5,513,648 during FY 2009-10 to manage the projected revenue shortfall. DVRS will budget federal funds matched in prior years to partially offset this non-recurring reduction in FY 2010-11 appropriations.	($2,585,674)	NR
Budget Changes	**$177,230,126** **($582,626,259)**	R NR
Total Position Changes	-182.00	
Revised Total Budget	**$3,915,632,709**	

Attachment 6

Senate Bill 897

Appropriations Act of 2010

Health and Human Services

For

House Appropriations Subcommittee

Health and Human Services

May 20, 2010

UNC MANAGEMENT FLEXIBILITY REDUCTION

SECTION 9.13.(a) Section 9.19 of S.L. 2009-451 reads as rewritten:

"**SECTION 9.19.** The management flexibility reduction for The University of North Carolina shall not be allocated by the Board of Governors to the constituent institutions and affiliated entities using an across-the-board method but in a manner that recognizes the importance of the academic mission and differences among The University of North Carolina entities. Before taking reductions in instructional budgets, the Board of Governors and the campuses of the constituent institutions shall consider reducing budgets for senior and middle management personnel, centers and institutes, low enrollment degree programs, speaker series, and nonacademic activities. The Board of Governors and the campuses of the constituent institutions also shall review the institutional trust funds and the special funds held by or on behalf of ~~the~~ The University of North Carolina and its constituent institutions to determine whether there are monies available in those funds that can be used to assist with operating costs before taking reductions in instructional budgets. In addition, the campuses of the constituent institutions also shall require their faculty to have a teaching workload equal to the national average in their Carnegie classification. Budget reductions shall not be considered in funding available for need-based financial aid.

Notwithstanding any other provision of law, for the 2010-2011 fiscal year only, the constituent institutions may, with the approval of the President of The University of North Carolina, increase tuition by up to seven hundred fifty dollars ($750.00) per academic year. This increase shall be in addition to other increases authorized for the fiscal year. These funds shall be used only to offset the institutions' management flexibility reductions."

SECTION 9.13.(b) Section 9.23 of S.L. 2009-451 is repealed.

INSTITUTE FOR OUTDOOR DRAMA

SECTION 9.14.(a) The Institute for Outdoor Drama shall be transferred from the University of North Carolina at Chapel Hill to East Carolina University.

SECTION 9.14.(b) Of the funds appropriated to the Department of Commerce, Division of Tourism, Film, and Sports Development, the sum of one hundred fifty thousand dollars ($150,000) shall be transferred to the Board of Governors of The University of North Carolina for the Institute for Outdoor Drama at East Carolina University.

RECRUITMENT OF PHARMACY STUDENTS

SECTION 9.15.(a) The University of North Carolina at Chapel Hill shall collaborate with the University of North Carolina at Asheville and Elizabeth City State University regarding the recruitment of students of pharmacy. The universities shall develop and institute a plan in which potential pharmacy students are informed of the pharmacy programs at each of the public universities in an effort to recruit those students to State schools.

SECTION 9.15.(b) The Board of Governors shall make funds in the amount of forty-four thousand dollars ($44,000) available to Elizabeth State University for the 2010-2011 fiscal year for the recruitment and academic support of pharmacy students.

PART X. DEPARTMENT OF HEALTH AND HUMAN SERVICES

ELECTRONIC BENEFITS TRANSFER SYSTEM

SECTION 10.1. The Department of Health and Human Services, Division of Child Development, shall implement an Electronic Benefits Transfer system for child care subsidy. The Department shall review all current electronic card system operations as related to Child Support Enforcement and Food and Nutrition to determine whether coordination may occur among the three-card systems that result in cost-savings.

The Department shall monitor the implementation of the "smart card" system pilot program in Georgia and similar technology in other states. The Department shall submit a 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 implementation of Georgia's pilot program and other states' programs and provide any recommendations for a card system program in this State by May 1, 2011.

REPEAL POLICIES TO FACILITATE AND EXPEDITE USE OF CHILD CARE SUBSIDY FUNDS

SECTION 10.2. Section 10.4 of S.L. 2009-451 is repealed.

EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES ENHANCEMENTS

SECTION 10.3. Section 10.7.(g) of S.L. 2009-451 reads as rewritten:

"**SECTION 10.7.(g)** For fiscal years 2009-2010 and 2010-2011, the local partnerships shall spend an amount for child care subsidies that provides at least fifty-two million dollars ($52,000,000) for the TANF maintenance of effort requirement and the Child Care Development Fund and Block Grant match requirement. ~~The Department of Health and Human Services shall determine the level of funds that need to be expended in order to draw down all federal recovery funds and shall direct the local partnerships to spend at least at the determined level. The local partnerships shall not spend at a level less than that directed by the Department.~~"

COST SHARE HEALTH-RELATED EXPENDITURES WITH MEDICAID

SECTION 10.4. The Division of Public Health and the Division of Medical Assistance shall coordinate with the North Carolina Partnership for Children, Inc., to cost share the health-related expenditures with Medicaid. The Division of Child Development shall transfer the amount of planned expenditures for health-related activities to the Division of Public Health to coordinate the cost-sharing through local health departments. The Division of Child Development shall report on these activities by October 1, 2010, 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.

ADMINISTRATIVE ALLOWANCE FOR COUNTY DEPARTMENTS OF SOCIAL SERVICES

SECTION 10.5. Section 10.10 of S.L. 2009-451 reads as rewritten:

"**SECTION 10.10.** The Division of Child Development of the Department of Health and Human Services shall increase the allowance that county departments of social services may use for administrative costs from four percent (4%) to five percent (5%) of the county's total child care subsidy funds allocated in the Child Care Development Fund Block Grant plan. The increase shall be effective for the 2009-2010 ~~fiscal year.~~and 2010-2011 fiscal years."

MENTAL HEALTH CHANGES

SECTION 10.6.(a). Section 10.12.(b) of S.L. reads as rewritten:

"**SECTION 10.12.(b)** Of the funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, the sum of twenty million one hundred twenty-one thousand six hundred forty-four dollars ($20,121,644) for the 2009-2010 fiscal year and the sum of ~~twenty million one hundred twenty-one thousand six hundred forty-four dollars ($20,121,644)~~ thirty-two million one hundred twenty-one thousand six hundred forty-four dollars ($32,121,644) for the

2010-2011 fiscal year shall be allocated for the purchase of local inpatient psychiatric beds or bed days. These beds or bed days shall be distributed across the State in all LME catchment areas and according to need as determined by the Department. The Department shall enter into contracts with the LMEs and community hospitals for the management of these beds or bed days. The Department shall work to ensure that these contracts are awarded equitably around all regions of the State. Local inpatient psychiatric beds or bed days shall be managed and controlled by the LME, including the determination of which local or State hospital the individual should be admitted to pursuant to an involuntary commitment order. Funds shall not be allocated to LMEs but shall be held in a statewide reserve at the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to pay for services authorized by the LMEs and billed by the hospitals through the LMEs. LMEs shall remit claims for payment to the Division within 15 working days of receipt of a clean claim from the hospital and shall pay the hospital within 30 working days of receipt of payment from the Division. If the Department determines (i) that an LME is not effectively managing the beds or bed days for which it has responsibility, as evidenced by beds or bed days in the local hospital not being utilized while demand for services at the State psychiatric hospitals has not reduced, or (ii) the LME has failed to comply with the prompt payment provisions of this subsection, the Department may contract with another LME to manage the beds or bed days, or, notwithstanding any other provision of law to the contrary, may pay the hospital directly. The Department shall develop reporting requirements for LMEs regarding the utilization of the beds or bed days. Funds appropriated in this section for the purchase of local inpatient psychiatric beds or bed days shall be used to purchase additional beds or bed days not currently funded by or through LMEs and shall not be used to supplant other funds available or otherwise appropriated for the purchase of psychiatric inpatient services under contract with community hospitals, including beds or bed days being purchased through Hospital Utilization Pilot funds appropriated in S.L. 2007-323. Not later than March 1, 2010, the Department shall report to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate, the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, and the Fiscal Research Division on a uniform system for beds or bed days purchased (i) with local funds, (ii) from existing State appropriations, (iii) under the Hospital Utilization Pilot, and (iv) purchased using funds appropriated under this subsection.

SECTION 10.6.(b). Section 10.12.(f) of S.L. 2009-451 reads as rewritten:

"**SECTION 10.12.(f)**

~~(1) The Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall continue implementation of the current Supports Intensity Scale (SIS) assessment tool pilot project if the pilot project has demonstrated that the SIS tool:~~

~~a. Is effective in identifying the appropriate array and intensity of services, including residential supports or placement, for individuals assessed.~~

~~b. Is valid for determining intensity of support related to resource allocation for CAP-MR/DD, public and private ICF-MR facilities, developmental disability group homes, and other State or federally funded services.~~

~~c. Is used by an assessor that does not have a pecuniary interest in the determinations resulting from the assessment.~~

~~d. Determines the level of intensity and type of services needed from developmental disability service providers.~~

~~(2) The Department shall report on the progress of the pilot project by May 1, 2010. The Department shall submit the report to the Joint Legislative~~

~~Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division. The report shall include the following:~~

~~a. The infrastructure that will be needed to assure that the administration of the assessment tool is independent from service delivery, the qualifications of assessors, training and management of data, and test-retest accountability.~~

~~b. The cost to (i) purchase the tool, (ii) implement the tool, (iii) provide training, and (iv) provide for future expansion of the tool statewide.~~

The Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services shall require the seven LMEs participating in the current Supports Intensity Scale (SIS) assessment tool pilot project to administer a SIS assessment to all clients with developmental disabilities. The participating LMEs shall use the results of the SIS assessment to assign clients with developmental disabilities to one of the Tiers within the CAP-MR/DD Waiver and to other needed services, according to their relative intensity of need."

TERM LIMITS FOR COUNTY MANAGERS ON AREA MENTAL HEALTH BOARDS

SECTION 10.7. G.S. 122C-118.1(d) reads as rewritten:

"(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 county managers on an area board may be for the duration of their employment as a county manager. The terms of the other members on the area board shall be for three years, except that upon the initial formation of an area board one-third shall be appointed for one year, one-third for two years, and all remaining members for three years. Members, other than county managers, 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. This subsection applies to all area authority board members regardless of the procedure used to appoint members under subsection (a) of this section."

REPEAL SCHOOL-BASED CHILD AND FAMILY TEAM INITIATIVE

SECTION 10.8. Section 10.13 of S.L. 2009-451 is repealed.

JOINT STUDY COMMITTEE ON AUTISM SPECTRUM DISORDERS AND PUBLIC SAFETY

SECTION 10.9. Section 10.21D.(i) of S.L. 2009-451 reads as rewritten:

"**SECTION 10.21D.(i)** The Committee may submit an interim report on the results of its study, including any proposed legislation, to the members of the Senate and the House of Representatives on or before May 1, 2010, by filing a copy of the report with the Office of the President Pro Tempore of the Senate, the Office of the Speaker of the House of Representatives, and the Legislative Library. The Committee shall submit a final report on the results of its study, including any proposed legislation, to the members of the Senate and the House of Representatives ~~on or before December 31, 2010,~~ upon the completion of its work by filing a copy of the report with the Office of the President Pro Tempore of the Senate, the Office of the Speaker of the House of Representatives, and the Legislative Library. The Committee shall terminate ~~on December 31, 2010, or upon the filing of is final report, whichever occurs first.~~upon the completion of its work."

CLOSURE PLAN FOR DOROTHEA DIX HOSPITAL

SECTION 10.10. The Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services shall do all of the following with respect to Dorothea Dix Hospital:

(1) By August 1, 2010, submit an operations budget for the 2010-2011 fiscal year 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.

(2) By October 1, 2010, develop and submit a plan for closing the hospital no later than June 30, 2011, 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.

CHANGES TO COMMUNITY-FOCUSED ELIMINATING HEALTH DISPARITIES INITIATIVE

SECTION 10.11. Section 10.23.(c) of S.L. 2009-451 reads as rewritten:

"**SECTION 10.23.(c)** The Department of Health and Human Services shall report on the following with respect to funds appropriated to the CFEHDI for the 2009-2010 fiscal year. The report shall address the following:

(1) Which community programs and local health departments received CFEHDI grants.

(2) The amount of funding each program or local health department received.

(3) Which of the minority populations were served by the programs or local health departments.

(4) Which counties were served by the programs or local health departments.

(5) What activities were planned and implemented by the programs or local health departments to fulfill the community focus of the CFEHDI program.

(6) How the activities implemented by the programs or local health departments fulfilled the goal of reducing health disparities among minority populations.

The report shall also include specific activities undertaken pursuant to subsection (a) of this section to address large gaps in health status among North Carolinians who are African-American and other minority populations in this State. The Department shall submit the report not later than ~~March 15, 2010,~~March 14, 2011, 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."

SUPPLEMENTAL FUNDS FOR HEALTH INITIATIVES FROM HEALTH AND WELLNESS TRUST FUND

SECTION 10.12.(a) The Health and Wellness Trust Fund Commission shall allocate from funds available in the Health and Wellness Trust Fund in the 2010-2011 fiscal year the sum of three million two hundred ninety-seven thousand dollars ($3,297,000) for health initiatives in the Department of Health and Human Services in accordance with the following:

(1)	Stroke Prevention	$450,000
(2)	Improve Birth Outcomes	$247,000
(3)	Prevent Neural Tube Birth Defects	$350,000
(4)	Prevent Blindness	$150,000
(5)	Amyotrophic Lateral Sclerosis (ALS)	$300,000
(6)	Adolescent and Teen Pregnancy Prevention	$650,000
(7)	Healthy Carolinians	$100,000
(8)	North Carolina Arthritis Patient Services	$ 50,000

(9) Rural Hospital Operation & Maintenance $1,000,000

These funds shall supplement and not supplant other funds allocated within the Department of Health and Human Services for these activities.

SECTION 10.12.(b) The Health and Wellness Trust Fund Commission shall not reduce allocations for the 2010-2011 fiscal year for any of the programs or initiatives currently funded through the Health and Wellness Trust Fund.

IMMUNIZATION CHANGES

SECTION 10.13. Section 10.29A of S.L. 2009-451 is amended by adding a new subsection to read:

"(c) The General Assembly finds that health insurers licensed to practice in this State currently provide reimbursement for the full series of standard immunizations recommended by the federal Centers for Disease Control and Prevention (CDC) and the American Academy of Family Physicians, and required by the North Carolina Immunization Program. The covered immunizations include all of the following:

(1) Diphtheria, Pertussis, Tetanus Toxoid (DPT)
(2) Polio
(3) Measles, Mumps, Rubella (MMR)
(4) Influenza
(5) Pneumococcal vaccine
(6) Human Papilloma virus (HPV)
(7) Haemophilus Influenzae Type b (Hib) vaccine
(8) Hepatitis B
(9) Meningococcal vaccine
(10) Chicken Pox
(11) Rotavirus
(12) Shingles

The General Assembly also finds that, consistent with G.S. 130A-153, physicians and local health departments currently administer the required immunizations listed in subdivisions (1) through (12) of this subsection, that are supplied by the federal government at no cost through the Vaccine For Children (VFC) program, to uninsured and under-insured children with incomes below two hundred percent (200%) of the federal poverty level. Therefore, the General Assembly eliminates the State appropriation for the purchase of childhood vaccines for which health care providers, including local health departments, should be billing health insurers."

NORTH CAROLINA HEALTH CHOICE EMERGENCY ROOM VISIT CO-PAYMENTS

SECTION 10.14. Under the North Carolina Health Choice Program for Children, the co-payment for nonemergency visits to the emergency room for children whose family income is at or below one hundred fifty percent (150%) of the federal poverty level is ten dollars ($10.00). The co-payment for children whose family income is between one hundred fifty-one percent (151%) and two hundred percent (200%) of the federal poverty level is twenty-five dollars ($25.00).

COMMUNITY CARE OF NORTH CAROLINA

SECTION 10.15. Section 10.36 of S.L. 2009-451 reads as rewritten:

"~~**SECTION 10.36.(a)** Given the primary care case management foundation established by Community Care of North Carolina (CCNC), the Department shall build upon that foundation to ensure quality care and cost control of care provided to Medicaid patients.~~

~~**SECTION 10.36.(b)** The Department shall contract with CCNC participating physicians and local CCNC networks to manage the care of Medicaid recipients through a per member per month reimbursement.~~

~~**SECTION 10.36.(c)** The Department shall ensure that, through CCNC participating physicians and networks, the Department is striving to follow tenets adapted from the National Committee of Quality Assurance's (NCQA) national measures for patient centered Medical Homes Models. The Department shall consult with local CCNC networks to achieve all of the following:~~

~~(1) Identify priority diseases, conditions, and patients for care management.~~

~~(2) Develop, adopt, and implement protocols for consistent and effective care management of those diseases, conditions, and patients.~~

~~(3) Identify data elements necessary for effective delivery and management of medical care and care management services.~~

~~(4) Develop and implement a system to measure, analyze, and report clinical performance and service performance by physicians and networks.~~

~~**SECTION 10.36.(d)** Consistent with subdivision (1) of subsection (c) of this section, the Department shall (i) identify baseline data on priority diseases, conditions, patients, and populations, and on physicians and networks; (ii) identify patient, physician, and network performance measures, and (iii) develop and implement data systems to gather, analyze, and report on those performance measures. The Department shall begin work immediately to implement this subsection.~~

~~**SECTION 10.36.(e)** The Department shall report to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division no later than December 31, 2009, on the performance measures adopted pursuant to subsection (d) of this section. Beginning July 1, 2010, and every six months thereafter, the Department shall submit a 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 evaluating the performance of each of the 14 CCNC Networks based on the performance measures adopted pursuant to subsection (d) of this section.~~

"**SECTION 10.36.(f)** The Department of Health and Human Services (Department) shall conduct a Request for Proposal process to solicit bids from qualified outside entities with proven experience in conducting actuarial and health care studies and evaluations to annually report on the Medicaid cost savings achieved by the ~~CCNC~~ Community Care of North Carolina (CCNC) networks during a 12-month period. Beginning ~~December 31, 2010,~~ March 1, 2011, and every year thereafter, the Department shall submit a report on the Medicaid cost savings achieved by the CCNC networks, which shall include children, adults, and the aged, blind, and disabled, to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division.

"**SECTION 10.36.(g)** By October 1, 2010, the Department and the Division of Medical Assistance (DMA) shall contract with North Carolina Community Care Networks, Inc. (NCCCN, Inc.) and the 14 participating local CCNC networks represented by NCCCN, Inc. to provide standardized clinical and budgetary coordination, oversight, and reporting for a State-wide Enhanced Primary Care Management System for Medicaid enrollees. The contract with NCCCN, Inc., shall build upon and expand the existing successful CCNC primary care case management model to include comprehensive State-wide quantitative performance goals and deliverables which shall include all of the following areas: (i) service utilization management, (ii) budget analytics, (iii) budget forecasting methodologies, (iv) quality of care analytics, (v) participant access measures, and (vi) predictable cost containment methodologies.

"**SECTION 10.36.(g1)** NCCCN, Inc., shall report quarterly to the Department and to the Office of State Budget and Management (OSBM) on the development of the statewide Enhanced Primary Care Case Management System and its defined goals and deliverables as agreed upon in the contract. Beginning July 1, 2010, NCCCN, Inc., shall submit a quarterly report to the Secretary of Health and Human Services, OSBM, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division on the progress and results of implementing the quantitative, analytical, utilization, quality, cost containment, and access goals and deliverables set out in the contract. NCCCN, Inc., shall conduct its own analysis of the CCNC system to identify any variations from the development plan for the Enhanced Primary Care Case Management System and its defined goals and deliverables set out in the contract between DMA and NCCCN, Inc. Upon identifying any variations, NCCCN, Inc., shall develop and implement a plan to address the variations. NCCCN, Inc., shall report the plan to DMA within 30 days after taking any action to implement the plan.

"**SECTION 10.36.(h)** By July 1, 2011, the Department and OSBM shall assess the performance of NCCCN, Inc., and CCNC regarding the goals and deliverables established in the contract. Based on this assessment, the Department and DMA shall expand, cancel, or alter the contract with NCCCN, Inc., and CCNC effective October 1, 2011. Expansion or alteration of the contract may reflect refinements based on clearly identified goals and deliverables in the areas of quality of care, participant access, cost containment, and service delivery.

"**SECTION 10.36.(i)** By July 1, 2011, the Department, DMA, and NCCCN, Inc., shall finalize a comprehensive plan that establishes management methodologies which include all of the following: (i) quality of care measures, (ii) utilization measures, (iii) recipient access measures, (iv) performance incentive models in which past experience indicates a benefit from financial incentives, (v) accountable budget models, (vi) shared savings budget models, and (vii) budget forecasting analytics as agreed upon by the Department, DMA, and NCCCN, Inc. In the development of these methodologies, the Department, DMA, and NCCCN, Inc., shall consider options for shared risk. The Department and DMA shall provide assistance to NCCCN, Inc., in meeting the objectives of this section.

"**SECTION 10.36.(j)** Beginning with the 2010-2011 fiscal year, the Department shall establish a separate line item in Budget Code 14445 for all expenditures in DMA associated with managed care activities pertaining to the utilization of Medicaid expenditures through CCNC.

"**SECTION 10.36.(k)** The Department shall not increase the per member per month funding to CCNC without prior approval from the General Assembly."

MEDICAID MANAGEMENT INFORMATION SYSTEM (MMIS) FUNDS/IMPLEMENTATION OF MMIS

SECTION 10.16. Section 10.41.(a) of S.L. 2009-451 reads as rewritten:

"**SECTION 10.41.(a)** Of the funds appropriated in this act to the Department of Health and Human Services (Department), the sum of ~~ten million seven hundred sixty-five thousand one hundred fifty-three dollars ($10,765,153) for fiscal year 2009-2010 and the sum of eight million sixty-four thousand one hundred twenty-eight dollars ($8,064,128)~~ eleven million seven hundred thirty-seven thousand four hundred fourteen dollars ($11,737,414) for fiscal year 2010-2011 shall be (i) deposited to the Department's information technology budget code and (ii) used to match federal funds for the procurement, design, development, and implementation of the new Medicaid Management Information System (MMIS) and to fund the central management of the project. The Department shall utilize all prior year earned revenues received for the MMIS. In the event that the Department does not receive prior year earned revenues in the amounts authorized by this section, the Department is authorized, with approval of the Office of State Budget and Management, to utilize other overrealized receipts and funds

appropriated to the Department to achieve the level of funding specified in this section for the MMIS."

ELIMINATE STATE FUNDING FOR CHILD SUPPORT OFFICES

SECTION 10.17. Section 10.46A of S.L. 2009-451 is amended by adding a new subsection to read:

"**SECTION 10.46A.(c)** Notwithstanding G.S. 143-64.03 and G.S. 143-64.05, the Secretary of Department of Health and Human Services may transfer State-owned equipment, including computers, printers, and furniture, used by State-operated child support offices to administer child support enforcement programs to a county government or the Eastern Band of the Cherokee Indians for the sole purpose of facilitating the county government or the Eastern Band of the Cherokee Indians' administration of the child support program. The transfer shall be at no cost to the county government or the Eastern Band of the Cherokee Indians and shall occur no later than July 1, 2010.

The county government or the Eastern Band of the Cherokee Indians assuming responsibility for the child support program effective July 1, 2010, shall identify from the existing equipment and office furnishings which items will be needed to administer the child support program. A comprehensive list of items to be transferred shall be compiled and signed by the manager of the State-operated child support office and the manager of the county or tribal child support office and the signed list shall serve as official documentation of the transfer. Copies of the documentation shall be provided to the Department of Health and Human Services Controller's Office and the Department of Administration. Any equipment not included in the transfer shall revert to the Department of Administration, Division of Surplus Property."

CHILD WELFARE POSTSECONDARY SUPPORT PROGRAM/USE OF ESCHEAT FUND

SECTION 10.18. Section 10.50 of S.L. 2009-451 reads as rewritten:

"**SECTION 10.50.(a)** There is appropriated from the Escheat Fund income to the Department of Health and Human Services the sum of three million one hundred sixty-eight thousand two hundred fifty dollars ($3,168,250) for the 2009-2010 fiscal year. These funds shall be used to support the child welfare postsecondary support program for the educational needs of foster youth aging out of the foster care system and special needs children adopted from foster care after age 12 by providing assistance with the "cost of attendance" as that term is defined in 20 U.S.C. § 1087ll. The Department shall collaborate with the State Education Assistance Authority to develop policies and procedures for the distribution of these funds.

If the interest income generated from the Escheat Fund is less than the amounts referenced in this section, the difference may be taken from the Escheat Fund principal to reach the appropriations referenced in this section; however, under no circumstances shall the Escheat Fund principal be reduced below the sum required in G.S. 116B-6(f).

Funds appropriated by this subsection shall be allocated by the State Education Assistance Authority.

The purpose for which funds are appropriated under this section is in addition to other purposes for which Escheat Fund income is distributed under G.S. 116B-7 and shall not be construed to otherwise affect the distribution of funds under G.S. 116B-7.

"**SECTION 10.50.(a1)** Of the funds appropriated from the General Fund to the Department of Health and Human Services, the sum of ~~three million one hundred sixty-eight thousand two hundred fifty dollars ($3,168,250)~~one million five hundred eighty-four thousand one hundred twenty-five dollars ($1,584,125) for the 2010-2011 fiscal year shall be used to support the child welfare postsecondary support program for the educational needs of foster youth aging out of the foster care system and special needs children adopted from foster care

after age 12 by providing assistance with the "cost of attendance" as that term is defined in 20 U.S.C. § 1087ll.

Funds appropriated by this subsection shall be allocated by the State Education Assistance Authority.

"**SECTION 10.50.(b)** Of the funds appropriated from the General Fund to the Department of Health and Human Services the sum of fifty thousand dollars ($50,000) for the 2009-2010 fiscal year and the sum of fifty thousand dollars ($50,000) for the 2010-2011 fiscal year shall be allocated to the North Carolina State Education Assistance Authority (SEAA). The SEAA shall use these funds only to perform administrative functions necessary to manage and distribute scholarship funds under the child welfare postsecondary support program.

"**SECTION 10.50.(c)** Of the funds appropriated from the General Fund to the Department of Health and Human Services the sum of five hundred thousand dollars ($500,000) for the 2009-2010 fiscal year and the sum of ~~five hundred thousand dollars ($500,000)~~three hundred thirty-nine thousand four hundred ninety-three dollars ($339,493) for the 2010-2011 fiscal year shall be used to contract with an entity to develop and administer the child welfare postsecondary support program described under subsection (a) of this section, which development and administration shall include the performance of case management services.

"**SECTION 10.50.(d)** Funds appropriated to the Department of Health and Human Services for the child welfare postsecondary support program shall be used only for students attending public institutions of higher education in this State."

TANF BENEFIT IMPLEMENTATION

SECTION 10.19. Section 10.51 of S.L. 2009-451 reads as rewritten:

"**SECTION 10.51.(a)** The General Assembly approves the plan titled "North Carolina Temporary Assistance for Needy Families State Plan FY ~~2009-2011,~~"2010-2012," prepared by the Department of Health and Human Services and presented to the General Assembly. The North Carolina Temporary Assistance for Needy Families State Plan covers the period October 1, ~~2009,~~2010, through September 30, ~~2011.~~2012. The Department shall submit the State Plan, as revised in accordance with subsection (b) of this section, to the United States Department of Health and Human Services, as amended by this act or any other act of the 2009 General Assembly.

"**SECTION 10.51.(b)** The counties approved as Electing Counties in the North Carolina Temporary Assistance for Needy Families State Plan FY ~~2009-2011,~~2010-2012, as approved by this section are: Beaufort, Caldwell, Catawba, Lenoir, Lincoln, Macon, and Wilson.

"**SECTION 10.51.(c)** Counties that submitted the letter of intent to remain as an Electing County or to be redesignated as an Electing County and the accompanying county plan for fiscal years 2009 through 2011, pursuant to G.S. 108A-27(e), shall operate under the Electing County budget requirements effective July 1, 2009. For programmatic purposes, all counties referred to in this subsection ~~shall~~ may remain under their current county designation through September 30, ~~2009.~~2012.

"**SECTION 10.51.(d)** For the ~~2009-2010~~2010-2011 fiscal year, Electing Counties shall be held harmless to their Work First Family Assistance allocations for the 2008-2009 fiscal year, provided that remaining funds allocated for Work First Family Assistance and Work First Diversion Assistance are sufficient for payments made by the Department on behalf of Standard Counties pursuant to G.S. 108A-27.11(b).

"**SECTION 10.51.(e)** In the event that Departmental projections of Work First Family Assistance and Work First Diversion Assistance for the ~~2009-2010~~2010-2011 fiscal year indicate that remaining funds are insufficient for Work First Family Assistance and Work First Diversion Assistance payments to be made on behalf of Standard Counties, the Department is authorized to deallocate funds, of those allocated to Electing Counties for Work First Family Assistance in excess of the sums set forth in G.S. 108A-27.11, up to the requisite amount for

payments in Standard Counties. Prior to deallocation, the Department shall obtain approval by the Office of State Budget and Management. If the Department adjusts the allocation set forth in subsection (d) of this section, then a report shall be made to the Joint Legislative Commission on Governmental Operations, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division."

EXTEND REPORTING DATE/EVALUATION OF CONSOLIDATION OF ADMINISTRATIVE FUNCTIONS OF COUNTY DEPARTMENT OF SOCIAL SERVICES

SECTION 10.20. Section 10.52.(b) of S.L. 2009-451 reads as rewritten:

"**SECTION 10.52.(b)** The Program Evaluation Division shall report its findings and recommendations 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 by ~~December 1, 2010.~~February 1, 2011."

ELIMINATION OF THE OFFICE OF EDUCATION SERVICES/TRANSFER RESIDENTIAL AND PRESCHOOLS TO THE DEPARTMENT OF PUBLIC INSTRUCTION

SECTION 10.21.(a) The Office of Education Services (OES) within the Department of Health and Human Services is hereby dissolved and the Central Office, Resource Support, Governor Morehead School Outreach, Deaf/Blind, and Exceptional Children Support programs within OES are eliminated.

SECTION 10.21.(b) In accordance with G.S. 143A-6, the North Carolina School for the Deaf, the Eastern North Carolina School for the Deaf, the Governor Morehead School for the Blind, the Governor Morehead Preschool, Early Intervention Services – Preschool, and Family Resource Center programs operated within the Office of Education Services are transferred to the Department of Public Instruction, Exceptional Children Division, by Type I transfer. In addition, the School Administrator position, #60089692, and School Speech-Language Pathologist position, #60039336, shall be transferred to the Department of Public Instruction, Exceptional Children Division, to continue to provide technical assistance to Local Education Agencies and support collaborative efforts with the following:

(1) North Carolina Central University, Visual Impairment Training Program.
(2) East Carolina University, Teacher Support Program for Students with Deaf-Blindness.
(3) East Carolina University, Project E.A.R.
(4) Department of Health and Human Services, Division of Public Health, Early Intervention Services.
(5) Beginnings for Parents of Children Who Are Deaf or Hard of Hearing.
(6) University of North Carolina Center for the Acquisition of Spoken Language through Listening Enrichment (CASTLE).

SECTION 10.21.(c) The Office of State Budget and Management, the Department of Health and Human Services, and the Department of Public Instruction shall effect this Type I transfer no later than July 1, 2010.

SECTION 10.21.(d) Upon transfer, the Director of the Exceptional Children Division shall assume the functions of the Superintendent of the Local Education Agency comprised of the North Carolina School for the Deaf, the Eastern North Carolina School for the Deaf, and the Governor Morehead School for the Blind. The Department shall establish an Assistant Director position to augment management of residential school and itinerant preschool programs.

SECTION 10.21.(e) The Department of Public Instruction shall reinstate the residential and instructional schedules for the Governor Morehead School for the Blind, Eastern North Carolina School for the Deaf, and North Carolina School for the Deaf in effect before February 8, 2010. Residential students shall have the opportunity to arrive at their respective schools on the evening of the day before commencement of academic instruction for the week. The Department of Public Instruction shall also reinstate on-site summer school programming for these schools.

MEDICAID POLICY CHANGES

SECTION 10.22.(a) Section 10.58.(d) of S.L. 2009-451 reads as rewritten:

"**SECTION 10.58.(d)** Services and Payment Bases. – The Department shall spend funds appropriated for Medicaid services 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.

...

(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."~~"program. The Department may impose prior authorization requirements on brand-name drugs in instances where the phrase "medically necessary" is written on the prescription.

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 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 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. Notwithstanding this subdivision to the contrary, the Secretary of Health and Human Services may prevent substitution of a generic equivalent drug, including a generic equivalent that is on the State maximum allowable cost list, when the net cost to the State of the brand-name drug, after consideration of all rebates, is less than the cost of the generic equivalent. 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, major depressive disorder or ~~(ii) HIV/AIDS, except that the Department of Health and Human Services shall continually review utilization of medications under the State Medical Assistance Program prescribed for Medicaid recipients for the treatment of mental illness, including, but not limited to, medications for schizophrenia, bipolar disorder, or major depressive disorder. The Department may, however, with respect to drugs to treat mental illnesses, develop guidelines and measures to ensure appropriate usage of these medications, including FDA approved indications and dosage levels.~~ (ii) HIV/AIDS. Medications prescribed for the treatment of mental illness shall be included on the Preferred Drug List (PDL). The Department of Health and Human Services, Division of Medical Assistance, may initiate prior authorization for the prescribing of drugs specified for the treatment of mental illness for the purpose of identifying providers who fail to prescribe those drugs in accordance with indications and dosage levels approved by the federal Food and Drug Administration or in accordance with best practices. The Department may ~~also~~ require retrospective clinical justification for the use of multiple psychotropic drugs for a Medicaid patient. For individuals 18 years of age and under who are prescribed three or more psychotropic medications, the Department shall implement clinical edits that target inefficient, ineffective, or potentially harmful prescribing patterns. When such patterns are identified, the Medical Director for the Division of Medical Assistance and the Chief of Clinical Policy for the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services shall require a peer-to-peer consultation with the target prescribers. Alternatives discussed during the peer-to-peer consultations shall be based upon:

a. Evidence-based criteria available regarding efficacy or safety of the covered treatments; and

b. Policy approval by a majority vote of the North Carolina Physicians Advisory Group (NCPAG).

The target prescriber has final decision-making authority to determine which prescription drug to prescribe or refill.

...

(30) Experimental or trial procedures. – Coverage is limited to procedures that are recognized or approved by a nationally recognized professional specialty organization.

(31) Medicaid as secondary payer claims. – The Department shall apply Medicaid medical policy to recipients who have primary insurance other than Medicare, Medicare Advantage, and Medicaid. 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. The Department may disregard application of this policy in cases where application of the policy would adversely affect patient care."

SECTION 10.22.(b) Section 10.58.(e) of S.L. reads as rewritten:

"**SECTION 10.58.(e)** Provider Performance Bonds and Visits. –

(1) Subject to the provisions of this subdivision, the Department may require Medicaid-enrolled providers to 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 require the purchase of a performance bond or the submission of an executed letter of credit or financial instrument as a condition of initial enrollment, reenrollment, or reinstatement if:

a. The provider fails to demonstrate financial viability,

b. The Department determines there is significant potential for fraud and abuse,

c. The Department otherwise finds it is in the best interest of the Medicaid program to do so.

The Department shall specify the circumstances under which a performance bond or executed letter of credit will be required.

(1a) The Department may waive or limit the requirements of this paragraph for individual Medicaid-enrolled providers or for one or more classes of Medicaid-enrolled providers based on the following:

a. The provider's or provider class's dollar amount of monthly billings to Medicaid.

b. The length of time an individual provider has been licensed, endorsed, certified, or accredited in this State to provide services.

c. The length of time an individual provider has been enrolled to provide Medicaid services in this State.

d. The provider's demonstrated ability to ensure adequate record keeping, staffing, and services.

e. The need to ensure adequate access to care.

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 shall provide to the affected provider written notice of the findings upon which its action is based and

shall include the performance bond requirements and the conditions under which a waiver or limitation apply. 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 30 visits per recipient per fiscal year for the following professional services: ~~hospital outpatient providers,~~ physicians, nurse practitioners, nurse midwives, clinics, health departments, optometrists, chiropractors, and podiatrists. The Department of Health and Human Services shall adopt medical policies in accordance with G.S. 108A-54.2 to distribute the allowable number of visits for each service or each group of services consistent with federal law. In addition, the Department shall establish a threshold of some number of visits for these services. The Department shall ensure that primary care providers or the appropriate CCNC network are notified when a patient is nearing the established threshold to facilitate care coordination and intervention as needed.

Prenatal services, all EPSDT children, emergency room visits, and mental health visits subject to independent utilization review are exempt from the visit limitations contained in this subdivision. Subject to appropriate medical review, the Department may authorize exceptions when additional care is medically necessary. Routine or maintenance visits above the established visit limit will not be covered unless necessary to actively manage a life threatening disorder or as an alternative to more costly care options."

SPECIALTY DRUG PROVIDER NETWORK

SECTION 10.23. The Department of Health and Human Services shall create a specialty drug provider network that requires best practices, prevents overutilization, and allows for drug reimbursement rate negotiations for hemophilia, hepatitis C, and intravenous immunoglobulin (IVIG) drugs.

STATEWIDE EXPANSION OF CAPITATED 1915(B)/(C) BEHAVIORAL HEALTH WAIVERS

SECTION 10.24. The Division of Medical Assistance and the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services may expand the capitated 1915(b)/(c) waivers which have been operating in the Piedmont Behavioral Healthcare Local Management Entity (LME) catchment area as a demonstration program since April 2005. The Divisions shall add additional LMEs to the waiver program as they demonstrate readiness to participate through a request for proposal process. The waiver program shall include all Medicaid-covered mental health, developmental disabilities, and substance abuse services. Expansion of the waiver to additional LMEs shall be contingent upon approval by the Centers for Medicare and Medicaid Services.

STUDY MEDICAID PROVIDER RATES

SECTION 10.25.(a) The Department of Health and Human Services, Division of Medical Assistance, shall initiate a study or contract out for a study of reimbursement rates for Medicaid providers and program benefits. The study shall include the following information:

(1) A comparison of Medicaid reimbursement rates in North Carolina with reimbursement rates in surrounding states and with rates in two additional states; and

(2) A comparison of Medicaid program benefits in North Carolina with program benefits provided in surrounding states and with rates in two additional states. Selected provider rates shall be studied for the initial report.

SECTION 10.25.(b) The Department shall report its initial findings to the Governor, 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 by April 1, 2011.

SECTION 10.25.(c) Funds appropriated to the Department of Health and Human Services may be used to complete this study.

MEDICAID FRAUD PREVENTION

SECTION 10.26.(a) The Department of Health and Human Services (Department) is authorized to create a fraud prevention program that uses information, lawfully obtained, from State and private databases to develop a fraud risk analysis of Medicaid providers and recipients. This analysis would be used to prevent fraud before it takes place and to achieve cost avoidance savings. While it is the intent that this initiative allow broad new access to information and databases across State government, the plan shall comply with all necessary security measures and restrictions to ensure that access to any specific information held confidential under federal and State law shall be limited to authorized persons.

SECTION 10.26.(b) The information obtained by the Department pursuant to subsection (a) of this section shall be privileged and confidential, is not a public record pursuant to G.S. 132-1, and may only be used for investigative or evidentiary purposes related to violations of State or federal law and regulatory activities. The Department shall release data collected pursuant to this section to the following persons only:

(1) An individual who requests the individual's own Medicaid recipient information.

(2) A provider who requests the provider's Medicaid provider information.

(3) Special agents of the North Carolina State Bureau of Investigation who are assigned to the Medicaid Fraud Investigations Unit. The SBI shall notify the Office of the Attorney General of North Carolina of each request for inspection of records maintained by the Department.

(4) To a court pursuant to a lawful court order in a criminal action.

The Department may provide data to public or private entities for statistical, research, or educational purposes only after removing information that could be used to identify individual recipients or providers of Medicaid services.

SECTION 10.26.(c) Notwithstanding any other provision of law to the contrary, the Department may modify or extend existing contracts to achieve Medicaid fraud prevention savings in a timely manner, subject to review and approval by the Secretary of the Department of Administration. The requirements of G.S. 143-59 apply to contracts entered into, modified, or extended pursuant to this section.

SECTION 10.26.(d) The Department shall report on the activities conducted under this section, including actions taken relating to compliance with G.S. 143-59 and any contract modifications or extensions that are approved pursuant to this section to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, the Office of State Budget and Management, and the Fiscal Research Division on or before April 1, 2011.

SECTION 10.26.(e) The authority granted to the Department under this section expires one year following the effective date of this section. The Department shall destroy all records and information obtained pursuant to this section after five years. Any records or information turned over to the State Bureau of Investigation or a court of competent jurisdiction shall not be subject to the destruction requirements of this subsection.

STUDY HIV MEDICAID WAIVER

SECTION 10.27. By November 1, 2010, the Department of Health and Human Services, Divisions of Medical Assistance and Public Health, shall jointly study and 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 financial and programmatic feasibility of reducing the waiting list for the AIDS Drug Assistance Program (ADAP) by expanding eligibility for Medicaid to HIV-positive individuals with incomes at or below one hundred thirty-three percent (133%) of the federal poverty level. The study shall include an assessment of the cost-effectiveness of using State dollars to expand Medicaid eligibility to this population as compared to using State dollars for ADAP. The study may also consider any planning and coordination benefits the State may derive from expanding Medicaid eligibility to HIV-positive individuals, in preparation for the expansion of Medicaid eligibility in calendar year 2014 to all individuals with incomes at or below one hundred thirty-three percent (133%) of the federal poverty level. If, as a result of the study, the Divisions of Medical Assistance and Public Health conclude that expanding Medicaid eligibility to HIV-positive individuals with incomes at or below one hundred thirty-three percent (133%) of the federal poverty level is a cost-effective means for the State to eliminate its ADAP waiting list, then the Division of Medical Assistance shall apply to the Centers for Medicare and Medicaid Services (CMS) for an appropriate waiver to implement this expansion in Medicaid eligibility. If approved by CMS, the Division shall not implement the waiver except as authorized by an act of the General Assembly appropriating funds for this purpose.

ELIMINATE REIMBURSEMENT OF "NEVER EVENTS"

SECTION 10.28. The Department of Health and Human Services, Division of Medical Assistance, shall modify its Medicaid State Plan, as detailed by the Centers for Medicare and Medicaid Services in its July 31, 2008, letter to State Medicaid Directors, to ensure that inpatient hospital reimbursement is not provided for Hospital-Acquired Conditions (HACs) that are identified as nonpayable by Medicare. The State Plan Amendment addressing this "Never Event" modification shall apply to all Medicaid reimbursement provisions in section 4.19A of the North Carolina Medicaid State Plan governing inpatient hospital reimbursement, including Medicaid supplemental or enhanced payments and Medicaid disproportionate share hospital payments.

AMEND MEDICAID PROVIDER APPEALS PROCESS

SECTION 10.29.(a) Section 10.15A(e1) of S.L. 2008-107 reads as rewritten:

"**SECTION 10.15A.(e1)** For the purpose of expediting the resolution of appeals by providers of community support services or ~~provider appeals~~ personal care services (PCS) and thereby saving State and federal funds that are paid for services that are found to be unnecessary or otherwise ineligible for payment, the Department shall implement ~~on a temporary basis~~ a community ~~support~~ support/PCS provider appeals process. The process shall be a substitute for informal provider appeals at the Department level and formal provider appeals by the Office of Administrative Hearings. The community ~~support~~ support/PCS provider appeals process shall apply to a provider of community support services ~~provider:~~or PCS:

(1) Who is aggrieved by a decision of the Department to reduce, deny, recoup, or recover reimbursement for community support ~~services,~~ services or PCS, or to deny, suspend, or revoke a provider agreement to provide community support ~~services.~~services or PCS.

(2) Whose endorsement has been withdrawn or whose application for endorsement has been denied by a local management entity.

SECTION 10.29.(b) Section 10.15A(e2) of S.L. 2008-107, as amended by Section 1.1(c) of S.L. 2009-550, reads as rewritten:

"**SECTION 10.15A.(e2)** The appeals process for providers of community support ~~provider appeals process~~ services or PCS shall be developed and implemented as follows:

...

(2) If there is a timely request for an appeal, the Department shall promptly designate a hearing officer who shall hold an evidentiary hearing. The hearing officer shall conduct the hearing according to applicable federal law and regulations and shall ensure that:

a. Notice of the hearing is given not less than 15 days before the hearing. The notice shall state the date, hour, and place of the hearing and shall be deemed to have been given on the date that a copy of the notice is mailed, via certified mail, to the address provided by the petitioner in the petition for hearing.

b. The hearing is held in Wake County, except that the hearing officer ~~may, after consideration of the numbers, locations, and convenience of witnesses and in order to promote the ends of justice, hold the hearing~~may take testimony and receive evidence by telephone or other electronic ~~means or hold the hearing in a county in which the petitioner resides.~~means. The petitioner and the petitioner's legal representative may appear before the hearing officer in Wake County.

c. Discovery is no more extensive or formal than that required by federal law and regulations applicable to the hearings. Prior to and during the hearing, a provider representative shall have adequate opportunity to examine the provider's own case file. No later than five days before the date of the hearing, each party to a contested case shall provide to each other party a copy of any documentary evidence that the party intends to introduce at the hearing and shall identify each witness that the party intends to call.

(3) The hearing officer shall have the power to administer oaths and affirmations, subpoena the attendance of witnesses, rule on prehearing motions, and regulate the conduct of the hearing. The following shall apply to hearings held pursuant to this section:

a. At the hearing, the parties may present such sworn evidence, law, and regulations as are relevant to the issues in the case.

b. The petitioner and the respondent agency each have a right to be represented by a person of his choice, including an attorney obtained at the party's own expense.

c. The petitioner and the respondent agency shall each have the right to cross-examine witnesses as well as make a closing argument summarizing his view of the case and the law.

d. The appeal hearing shall be recorded. If a petition for judicial review is ~~filed pursuant to subsection (f) of this section, a transcript will be prepared and made~~filed, the Department shall include a copy of the recording of the hearing as part of the official ~~report and shall be prepared at no cost to the appellant. In the absence of the filing of a petition for a judicial review, no transcript will be prepared unless requested by a party, in which case each party shall bear the cost of~~

~~the transcript or part thereof or copy of the transcript or part thereof requested by the party.~~record. The recording of the appeal hearing may be erased or otherwise destroyed 180 days after the final decision is mailed as provided in G.S. 108A-79(i)(5).

...

(8) In the event of a conflict between federal law or regulations and State law or regulations, federal law or regulations shall control. This section applies to all petitions that are filed by a Medicaid PCS provider on or after July 1, 2010, and for all Medicaid PCS provider petitions that have been filed at the Office of Administrative Hearings previous to July 1, 2010, but for which a hearing on the merits has not been commenced prior to that date. The requirement that the agency decision must be rendered not more than 90 days from the date of the filing of the petition for hearing shall not apply to (i) PCS provider petitions that were filed at the Office of Administrative Hearings or (ii) requests for a hearing under the Department's informal settlement process prior to the effective date of this act. The Office of Administrative Hearings shall transfer all cases affected by this section to the Department of Health and Human Services within 30 days of the effective date of this section. This act preempts the existing informal appeals process and reconsideration review process at the Department of Health and Human Services and the existing appeal process at the Office of Administrative Hearings with regard to all appeals filed by Medicaid PCS providers under the Medical Assistance Program."

SECTION 10.29.(c) Sections 10.15A(e3) and 10.15A(e4) of S.L. 2008-107 read as rewritten:

"**SECTION 10.15A.(e3)** Notwithstanding any other provision of law to the contrary, the Department of Health and Human Services may, pursuant to its ~~statutory~~ authority or federal Medicaid requirements, suspend the endorsement or Medicaid participation of a provider of community support services or PCS pending a final agency decision based on a fair hearing of the provider's appeal filed with the Department under its community ~~support~~ support/PCS provider appeal process. A provider of community support services or PCS whose ~~endorsement,~~endorsement or Medicaid ~~participation, or services have~~participation has been suspended is not entitled to payment during the period the appeal is pending, and the Department shall make no such payment to the provider during that period. If the final agency decision is in favor of the provider, the Department shall remove the suspension, commence payment for provider services, and reimburse the provider for payments withheld during the period of appeal. ~~Contracts between the Department or a local management entity and the provider shall contain a provision indicating the circumstances under which a provider may appeal an agency decision and giving notice of the suspension of payments to the provider while the appeal is pending.~~ This subsection applies to community support provider appeals pending in the Department of Health and Human Services or the Office of Administrative Hearings, as applicable, on and after July 1, 2008. This subsection also applies to appeals by providers of PCS pending in the Department of Health and Human Services or the Office of Administrative Hearings, as applicable, on and after July 1, 2010.

"~~**SECTION 10.15A.(e4)** The Department's community support provider appeals process established under this section shall expire July 1, 2010. The Department shall report to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, and the Fiscal Research Division on March 1, 2009, October 1, 2009, and March 1, 2010, on the effectiveness and efficiency of the community support provider appeals process.~~"

SECTION 10.29.(d) G.S. 122C-151.4(g) reads as rewritten:

"(g) This section does not apply to providers of community support services or personal care services who appeal directly to the Department of Health and Human Services under the Department's community ~~support~~ support/PCS provider appeal ~~process.~~process."

SECTION 10.29.(e) G.S. 150B-1(e)(16) reads as rewritten:

"(16) The Department of Health and Human Services with respect to contested cases commenced by (i) Medicaid providers appealing a ~~denial~~ denial, recoupment, suspension, or reduction in reimbursement for community support or personal care services, or a denial, suspension, or revocation of a Medicaid provider agreement for community support or personal care services, or a denial, suspension, or revocation of a Medicaid provider agreement for community support or personal care services, and (ii) providers of community support or personal care services ~~providers~~ appealing decisions by the LME to deny or withdraw the provider's endorsement."

AMEND MEDICAID RECIPIENT APPEALS PROCESS

SECTION 10.30.(a) Section 10.15A.(h1) through (h6) of S.L. 2008-107, as amended by Section 3.13.(b) of S.L. 2008-118, Section 2.(a) of S.L. 2009-526, Section 2.(b) of S.L. 2009-526, and by ss. 1.1(a) and (b) of S.L. 2009-550 reads as rewritten:

"**SECTION 10.15A.(h1)**

(1) General Rule. – Notwithstanding any provision of State law or rules to the contrary, this subsection shall govern the process used by a Medicaid applicant or recipient to appeal a determination made by the Department of Health and Human Services to deny, terminate, suspend, or reduce Medicaid covered services. For purposes of this subsection, the phrase "adverse determination" means a determination by the Department to deny, terminate, suspend, or reduce Medicaid covered services. For purposes of this subsection, all references to an applicant or recipient include the applicant or recipient's parent, guardian, or legal representative; however, notice need only be given to a parent, guardian, or legal representative who has requested in writing to receive the notice.

(2) Notice. – Except as otherwise provided by federal law or regulation, at least 10 days before the effective date of an adverse determination, the Department shall notify the applicant or recipient, and the provider, if applicable, in writing of the determination and of the applicant's or recipient's right to appeal the determination. The notice shall be mailed on the date indicated on the notice as the date of the determination. The notice shall include:

a. An identification of the applicant or recipient whose services are being affected by the adverse determination, including full name and Medicaid identification number.

b. An explanation of what service is being denied, terminated, suspended, or reduced and the reason for the determination.

c. The specific regulation, statute, or medical policy that supports or requires the adverse determination.

d. The effective date of the adverse determination.

e. An explanation of the applicant's or recipient's right to appeal the Department's adverse determination in an evidentiary hearing before an administrative law judge.

f. An explanation of how the applicant or recipient can request a hearing and a statement that the applicant or recipient may represent himself or use legal counsel, a relative, or other spokesperson.

g. A statement that the applicant or recipient will continue to receive Medicaid services at the level provided on the day immediately preceding the Department's adverse determination or the amount requested by the applicant or recipient, whichever is less, if the applicant or recipient requests a hearing before the effective date of the adverse determination. The services shall continue until the hearing is completed and a final decision is rendered.

h. The name and telephone number of a contact person at the Department to respond in a timely fashion to the applicant's or recipient's questions.

i. The telephone number by which the applicant or recipient may contact a Legal Aid/Legal Services office.

j. The appeal request form described in subdivision (4) of this subsection that the applicant or recipient may use to request a hearing.

(3) Appeals. – Except as provided by this subsection and subsection 10.15A(h2) of this act, a request for a hearing to appeal an adverse determination of the Department under this section is a contested case subject to the provisions of Article 3 of Chapter 150B of the General Statutes. The applicant or recipient must request a hearing within 30 days of the mailing of the notice required by subdivision (2) of this subsection by sending an appeal request form to the Office of Administrative Hearings and the Department. Where a request for hearing concerns the reduction, modification, or termination of Medicaid services, upon the receipt of a timely appeal, the Department shall reinstate the services to the level or manner prior to action by the Department as permitted by federal law or regulation. The Department shall immediately forward a copy of the notice to the Office of Administrative Hearings electronically. The information contained in the notice is confidential unless the recipient appeals. The Office of Administrative Hearings may dispose of the records after one year. The Department may not influence, limit, or interfere with the applicant's or recipient's decision to request a hearing.

(4) Appeal Request Form. – Along with the notice required by subdivision (2) of this subsection, the Department shall also provide the applicant or recipient with an appeal request form which shall be no more than one side of one page. The form shall include the following:

a. A statement that in order to request an appeal, the applicant or recipient must send the form by mail or fax to the address or fax number listed on the form within 30 days of mailing of the notice.

b. The applicant's or recipient's name, address, telephone number, and Medicaid identification number.

c. A preprinted statement that indicates that the applicant or recipient would like to appeal the specific adverse determination of which the applicant or recipient was notified in the notice.

d. A statement informing the applicant or recipient that he or she may choose to be represented by a lawyer, a relative, a friend, or other spokesperson.

e. A space for the applicant's or recipient's signature and date.

(5) Final Decision. – After a hearing before an administrative law judge, the judge shall return the decision and record to the Department in accordance with subsection 10.15A(h2) of this act. The Department shall make a final decision in the case within 20 days of receipt of the decision and record from the administrative law judge and promptly notify the applicant or recipient of the final decision and of the right to judicial review of the decision pursuant to Article 4 of Chapter 150B of the General Statutes.

"**SECTION 10.15A.(h2)**

(1) Application. – This subsection applies only to contested Medicaid cases commenced by Medicaid applicants or recipients under subsection 10.15A(h1) of this act. Except as otherwise provided by subsection 10.15A(h1) and this subsection governing time lines and procedural steps, a contested Medicaid case commenced by a Medicaid applicant or recipient is subject to the provisions of Article 3 of Chapter 150B. To the extent any provision in this subsection or subsection 10.15A(h1) of this act conflicts with another provision in Article 3 of Chapter 150B, this subsection and subsection 10.15A(h1) controls.

(2) Simple Procedures. – Notwithstanding any other provision of Article 3 of Chapter 150B of the General Statutes, the chief administrative law judge may limit and simplify the procedures that apply to a contested Medicaid case involving a Medicaid applicant or recipient in order to complete the case as quickly as possible. To the extent possible, the Office of Administrative Hearings shall schedule and hear all contested Medicaid cases within 55 days of submission of a request for appeal. Hearings shall be conducted telephonically or by video technology, however the recipient or applicant, or the recipient's or applicant's representative may request that the hearing be conducted before the administrative law judge in-person. An in-person hearing shall be conducted in Wake County, however for good cause shown, the in-person hearing may be conducted in the county of residence of the recipient or applicant. Good cause shall include but is not limited to the applicant's or recipient's impairments limiting travel or the unavailability of the applicant's or recipient's treating professional witnesses. The Department shall provide written notice to the recipient or applicant of the use of telephonic hearings, hearings by video conference, and in-person hearings before the administrative law judge, and how to request a hearing in the recipient's or applicant's county of residence. The simplified procedure may include requiring that all prehearing motions be considered and ruled on by the administrative law judge in the course of the hearing of the case on the merits. An administrative law judge assigned to a contested Medicaid case shall make reasonable efforts in a case involving a Medicaid applicant or recipient who is not represented by an attorney to assure a fair hearing and to maintain a complete record of the hearing. The administrative law judge may allow brief extensions of the time limits contained in this section for good cause and to ensure that the record is complete. Good cause includes delays resulting from untimely receipt of documentation needed to render a decision and other unavoidable and unforeseen circumstances. Continuances shall only be granted in accordance with rules adopted by the Office of Administrative Hearings, and shall not be granted on the day of the hearing, except for good cause shown. If a petitioner fails to make an appearance at a hearing that has been properly noticed via certified mail by the Office of

Administrative Hearings, the Office of Administrative Hearings shall immediately dismiss the contested case provision.

(3) Mediation. – Upon receipt of an appeal request form as provided by subdivision 10.15A(h1)(4) of this act or other clear request for a hearing by a Medicaid applicant or recipient, the Office of Administrative Hearings shall immediately notify the Mediation Network of North Carolina which shall within five days contact the petitioner to offer mediation in an attempt to resolve the dispute. If mediation is accepted, the mediation must be completed within 25 days of submission of the request for appeal. Upon completion of the mediation, the mediator shall inform the Office of Administrative Hearings and the Department within 24 hours of the resolution by facsimile or electronic messaging. If the parties have resolved matters in the mediation, the case shall be dismissed by the Office of Administrative Hearings. The Office of Administrative Hearings shall not conduct any contested Medicaid cases hearings until it has received notice from the mediator assigned that either: (i) the mediation was unsuccessful, or (ii) the petitioner has rejected the offer of mediation, or (iii) the petitioner has failed to appear at a scheduled mediation. Nothing in this subdivision shall restrict the right to a contested case hearing.

(4) Burden of Proof. – The petitioner has the burden of proof to show entitlement to a requested benefit or the propriety of requested agency action when the agency has denied the benefit or refused to take the particular action. The agency has the burden of proof when the appeal is from an agency determination to impose a penalty or reduce, terminate, or suspend a benefit previously granted. The party with the burden of proof on any issue has the burden of going forward, and the administrative law judge shall not make any ruling on the preponderance of evidence until the close of all evidence.

(4a) New Evidence.- The petitioner shall be permitted to submit evidence regardless of whether obtained prior to or subsequent to the Department's actions and regardless of whether the Department had an opportunity to consider the evidence in making its determination to deny, reduce, terminate or suspend a benefit. When such evidence is received, at the request of the Department, the administrative law judge shall continue the hearing for a minimum of 15 days and a maximum of 30 days to allow for the Department's review of the evidence. Subsequent to review of the evidence, if the Department reverses its original decision, it shall immediately inform the administrative law judge.

(4b) Issue for Hearing.- For each penalty imposed or benefit reduced, terminated, or suspended, the hearing shall determine whether the Department substantially prejudiced the rights of the petitioner and if the Department, based upon evidence at the hearing:

a. Exceeded its authority or jurisdiction;
b. Acted erroneously;
c. Failed to use proper procedure;
d. Acted arbitrarily or capriciously; or,
e. Failed to act as required by law or rule.

(5) Decision. – The administrative law judge assigned to a contested Medicaid case shall hear and decide the case without unnecessary delay. The Office of Administrative Hearings shall send a copy of the audiotape or diskette of the hearing to the agency within five days of completion of the hearing. The

judge shall prepare a written decision and send it to the parties. The decision must be sent together with the record to the agency within 20 days of the conclusion of the hearing.

"**SECTION 10.15A.(h3)** From funds available to the Department of Health and Human Services for the ~~2008-2009~~2010-2011 fiscal year, the sum of two million dollars ($2,000,000) shall be transferred by the Department of Health and Human Services to the Office of Administrative Hearings. These funds shall be allocated by the Office of Administrative Hearings for mediation services provided for Medicaid applicant and recipient appeals and to contract for other services necessary to conduct the appeals process.

"**SECTION 10.15A.(h4)** Effective October 1, 2008, the Department of Health and Human Services shall discontinue its current informal appeals process for Medicaid applicants and recipients appealing a determination made by the Department to deny, terminate, suspend, or reduce Medicaid covered services. All such informal appeals by Medicaid applicants or recipients under the current system which are pending on that date and for which a hearing has not been held shall be discontinued and the applicant or recipient offered an opportunity to appeal to the Office of Administrative Hearings in accordance with the provisions of subsection 10.15A(h1) of this act. The Department shall make every effort to resolve or settle all of the backlogged cases prior to the effective date of this act.

"**SECTION 10.15A.(h5)** Nothing in this act shall prevent the Department of Health and Human Services from engaging in an informal review of the case with the applicant or recipient prior to issuing a notice of adverse determination as provided by subsection 10.15A(h1) of this act.

~~"**SECTION 10.15A.(h6)** The appeals process for Medicaid applicants and recipients established under this section shall expire July 1, 2010. The Department of Health and Human Services and the Office of Administrative Hearings shall each report to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Subcommittee on Health and Human Services, the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, and the Fiscal Research Division on March 1, 2009, October 1, 2009, and March 1, 2010, on the costs, effectiveness, and efficiency of the appeals process for Medicaid applicants and recipients and make recommendations regarding the continuation of the process."~~

SECTION 10.30.(b) The Revisor of Statutes shall codify the statutes set forth in Section 10.30(a).

SECTION 10.30.(c) Not later than October 1, 2011, the Office of Administrative Hearings shall submit a report to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services on the number, status, and outcome of contested Medicaid cases handled by the Office pursuant to the appeals process established in Section 10.30(a) of this act. The report shall include information on the number of contested Medicaid cases resolved through mediations and through formal hearings, the outcome of settled and withdrawn cases, and the number of incidences in which the Division of Medical Assistance reverses the decision of an administrative law judge.

ACCOUNTING FOR MEDICAID RECEIVABLES AS NONTAX REVENUE

SECTION 10.31. Section 10.64.(b) of S.L. 2009-451 reads as rewritten:

"**SECTION 10.64.(b)** For the 2009-2010 fiscal year, the Department of Health and Human Services shall deposit from its revenues one hundred twenty-four million nine hundred ninety-four thousand nine hundred fifty-four dollars ($124,994,954) with the Department of State Treasurer to be accounted for as nontax revenue. For the 2010-2011 fiscal year, the Department of Health and Human Services shall deposit from its revenues ~~one hundred million dollars ($100,000,000)~~one hundred thirty-five million dollars ($135,000,000) with the Department of State Treasurer to be accounted for as nontax revenue. These deposits shall

represent the return of General Fund appropriations provided to the Department of Health and Human Services to provide indigent care services at State-owned and operated mental hospitals. The treatment of any revenue derived from federal programs shall be in accordance with the requirements specified in the Code of Federal Regulations, Volume 2, Part 225."

MEDICAID PREFERRED DRUG LIST

SECTION 10.32. Section 10.66.(c) of S.L. 2009-451 reads as rewritten:

"**SECTION 10.66.(c)** The Department, in consultation with the PAG, shall adopt and publish policies and procedures relating to the preferred drug list, including:

(1) Guidelines for the presentation and review of drugs for inclusion on the preferred drug list,

(2) The manner and frequency of audits of the preferred drug list for appropriateness of patient care and cost-effectiveness,

(3) An appeals process for the resolution of disputes, and

(4) Such other policies and procedures as the Department deems necessary and appropriate.

The Department and the pharmaceutical and therapeutics committee shall consider all therapeutic classes of prescription drugs for inclusion on the preferred drug ~~list, except medications for treatment of human immunodeficiency virus or acquired immune deficiency syndrome shall not be subject to consideration for inclusion on the preferred drug~~ list.

The Department shall maintain an updated preferred drug list in electronic format and shall make the list available to the public on the Department's Internet Web site.

The Department shall: (i) enter into a multistate purchasing pool; (ii) negotiate directly with manufacturers or labelers; (iii) contract with a pharmacy benefit manager for negotiated discounts or rebates for all prescription drugs under the medical assistance program; or (iv) effectuate any combination of these options in order to achieve the lowest available price for such drugs under such program.

The Department may negotiate supplemental rebates from manufacturers that are in addition to those required by Title XIX of the federal Social Security Act. The committee shall consider a product for inclusion on the preferred drug list if the manufacturer provides a supplemental rebate. The Department may procure a sole source contract with an outside entity or contractor to conduct negotiations for supplemental rebates."

MEDICAID PREFERRED DRUG LIST (PDL) REVIEW PANEL

SECTION 10.33.(a) The Secretary of the Department of Health and Human Services shall establish a Preferred Drug List (PDL) Policy Review Panel within 60 days after the effective date of this section. The purpose of the PDL Policy Review Panel is to review the Medicaid PDL recommendations from the Department of Health and Human Services, Division of Medical Assistance, and the Physician Advisory Group (PAG) Pharmacy and Therapeutics (P&T) Committee.

SECTION 10.33.(b) The Secretary shall appoint the following individuals to the review panel:

(1) The Director of Pharmacy for the Division of Medical Assistance.

(2) A representative from the PAG P&T Committee.

(3) A representative from the Old North State Medical Society.

(4) A representative from the North Carolina Association of Pharmacists.

(5) A representative from Community Care of North Carolina.

(6) A representative from the North Carolina Psychiatric Association.

(7) A representative from the North Carolina Pediatric Society.

(8) A representative from the North Carolina Academy of Family Physicians.

(9) A representative from the North Carolina Chapter of the American College of Physicians.

Individuals appointed to the Review Panel, except for the Division's Director of Pharmacy, shall only serve a two-year term.

SECTION 10.33.(c) Within 30 days after the Department, in consultation with the PAG P&T Committee, publishes a proposed policy or procedure related to the Medicaid PDL, the Review Panel shall hold an open meeting to review the recommended policy or procedure along with any written public comments received as a result of the posting. The Review Panel shall provide an opportunity for public comment at the meeting. After the conclusion of the meeting, the Review Panel shall submit policy recommendations about the proposed Medicaid PDL policy or procedure to the Department.

LOCK NARCOTIC PRESCRIPTIONS INTO SINGLE PHARMACY/PROVIDER

SECTION 10.34. The Department of Health and Human Services, Division of Medical Assistance, shall lock narcotic prescription medications provided to Medicaid enrollees into a single pharmacy and provider, as follows:

(1) Enrollees may be prescribed narcotic medications by only one prescribing physician, and may not change the prescribing physician at any time without prior approval or authorization by the Division.

(2) Enrollees may have prescriptions for narcotic medications filled at only one pharmacy, and may not change to another pharmacy at any time without prior approval or authorization by the Division. For the purposes of this section, all locations of the same chain of pharmacies shall constitute one pharmacy.

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

SECTION 10.35. Section 10.68A.(a) of S.L. 2009-451, as amended by Section 5A of S.L. 2009-575, reads as rewritten:

"**SECTION 10.68A.(a)** For the purpose of enabling the Department of Health and Human Services, Division of Medical Assistance, to achieve the budget reductions enacted in this act for the Medicaid program, the Department may take the following actions, notwithstanding any other provision of this act or other State law or rule to the contrary and subject to the requirements of subsection (e) of this section:

(1) Electronic transactions. –

a. Within 60 days of notification of its procedures via the DMA Web site, Medicaid providers shall follow the Department's established procedures for securing electronic payments. No later than September 1, 2009, the Department shall cease routine provider payments by check.

b. Effective September 1, 2009, all Medicaid providers shall file claims electronically to the fiscal agent. Nonelectronic claims submission may be required when it is in the best interest of the Department.

c. Effective September 1, 2009, enrolled Medicaid providers shall submit Preadmission Screening and Annual Resident Reviews (PASARR) through the Department's Web-based tool or through a vendor with interface capability to submit data into the Web-based PASARR.

(2) Clinical coverage. – The Department of Health and Human Services, Division of Medical Assistance, shall amend applicable clinical policies and

submit applicable State Plan amendments to CMS to implement the budget reductions authorized in the following clinical coverage areas in this act:

a. Consolidate and reduce Targeted Case Management and case management functions bundled within other Medicaid services.

b. Take appropriate action to lower the cost of HIV case management, including tightening service hours and limiting administrative costs. The Department shall maintain HIV case management as a stand-alone service outside of departmental efforts to consolidate case management services.

c. Eliminate coverage of therapeutic camps. The Department shall report on or before October 1, 2009, on the plan to transition children out of mental health residential therapeutic camps. The Department shall submit the report to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services.

~~(3) Medicaid Personal Care Service provision. – Upon the enactment of this act, the Division of Medical Assistance shall implement the following new criteria for personal care services (PCS):~~

~~a. Independent assessment by an entity that does not provide direct PCS services for evaluation of the recipient prior to initiation of service. The independent assessment will determine the qualifying Activities of Daily Living (ADL), the level of assistance required, and the amount and scope of PCS to be provided, according to policy criteria.~~

~~b. Independent assessment or review from the assigned Community Care of North Carolina (CCNC) physician of the continued qualification for PCS services under the revised PCS policy criteria.~~

~~c. Establishment of time limits on physician service orders and reauthorization in accordance with the recipient's diagnosis and acuity of need.~~

~~d. Add the following items to the list of tasks that are not covered by this service: nonmedical transportation, errands and shopping, money management, cueing, and prompting, guiding, or coaching.~~

~~e. Online physician attestation of medical necessity.~~

~~f. If sufficient reduction in cost is not achieved with the revised policy, the Secretary shall direct the Division of Medical Assistance to further modify the policy to achieve targeted cost savings.~~

~~Recipients currently receiving PCS services shall be reviewed under the above criteria, and those recipients not meeting the new criteria shall be terminated from the service within 30 days of the review. The Department shall review usage of personal care services in adult care homes to determine if overuse is occurring 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 on or before December 1, 2009.~~

(3) Medicaid Personal Care Service provision. – The Department of Health and Human Services, Division of Medical Assistance, shall reform the Personal Care Services (PCS) and Personal Care Services-Plus (PCS-Plus) programs provided under the State Medicaid plan as follows:

a. Terminate all services provided under these two PCS programs and implement two new PCS programs, PCS-C and PCS-ADE, effective January 1, 2011, or whenever approval is received from CMS.

b. Determine the most effective and efficient means for Medicaid to manage the cost, quality, and utilization of personal care services through one of the available funding options, including revised Medicaid plan optional services, a §1915(c) home and community-based services (HCBS) waiver, or through a §1915(i) option that allows states to establish home- and community-based services that can target specific populations.

c. Submit applications or State plan amendments to CMS as required to obtain approval for two PCS programs, as follows:

1. PCS for Children (PCS-C) – To assist families to meet their needs for personal care assistance for children, including individuals under the age of 21 receiving comprehensive and preventative child health services through the Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) program.

2. PCS for Disabled and Elderly (PCS-ADE) – To meet the needs of individuals 21 years of age or older who, because of a medical condition, disability, or cognitive impairment, demonstrate extensive or higher levels of unmet needs for assistance in at least three of the five activities of daily living (ADLs) that include eating, dressing, bathing, toileting, and mobility. PCS-ADE shall target individuals at the highest level of need who are able to safely remain in the home and who do not meet the State's criteria for nursing facility placement.

d. Establish program limitations:

1. PCS-C shall be limited to no more than 60 hours of service per month, unless additional services are required to correct or ameliorate defects and physical and mental illnesses and conditions as defined in 42 U.S.C. § 1396d(r)(5) in accordance with a plan of care approved by DMA or its designee.

2. PCS-ADE shall be limited to no more than 80 hours of service per month in accordance with a plan of care approved by DMA or its designee.

e. For both programs, require that:

1. Services are provided in a manner that supplements not supplants family roles and responsibilities and care provided by informal caregivers.

2. Prior to admission to PCS, the recipient be seen by his or her primary or attending physician and that the recipient's physician authorizes referral for PCS in writing and attests to the medical necessity for PCS. The Department of Health and Human Services shall track and analyze from the written referrals to detect and address overutilization of PCS services.

3. Initial assessments and continuing need reassessments be performed by an Independent Assessment Entity (IAE) that is not a PCS service provider.

4. The IAE authorize the amount of service to be provided on a "needs basis," as determined by each recipient's degree of functional disability and level of unmet needs for hands-on personal assistance in the five qualifying ADLs.
5. PCS shall not be used to perform household chores not directly related to the qualifying ADLs, nonmedical transportation, money management, running errands, and shopping, and nonhands-on assistance such as cueing, prompting, guiding, or coaching in accordance with the Medicaid Clinical Coverage Policy for each program.
6. Transition qualified recipients into the programs at such time that all approvals from CMS have been obtained; Medicaid Clinical Coverage Policies have been posted, reviewed, and approved as required; and all appropriate implementation tasks have been completed.

(4) MH/DD/SA Personal Care and Personal Assistance Services Provision. – A denial, reduction, or termination of Medicaid-funded personal care services shall result in a similar denial, reduction, or termination of State-funded MH/DD/SA personal care and personal assistance services.

(5) Community Support and other MH/DD/SA services. – The Department of Health and Human Services shall transition community support child and adult, individual and group services to other defined services on or before June 30, 2010. The Division of Medical Assistance and the Division of MH/DD/SA shall take the steps necessary for the Medicaid and the State-funded community support program to provide for transition and discharge planning to recipients currently receiving community support services. The following shall occur:

a. The Department shall submit to CMS: (i) revised service definitions that separate case management functions from the Community Support definition and (ii) a new service definition for peer support services for adults with mental illness and/or substance abuse ~~disorders.~~ disorders, for implementation no sooner than January 1, 2011.
b. No new admissions for community support individual or group shall be allowed during this transition period unless the Department determines appropriate alternative services are not available, in which case limited community support services may be provided during the transition period. LMEs will be responsible for referring eligible consumers to appropriate alternative services.
c. Authorizations currently in effect as of the date of enactment of this act remain valid. Any new authorization or subsequent reauthorization is subject to the provisions of this act.
d. No community support services shall be provided in conjunction with other enhanced services. Until CMS approves the new case management definition, professional level community support may be provided in conjunction with residential Level III and IV to assist in recipient discharge planning. Up to a maximum of 24 hours of case management (professional level) functions may be provided over a 90-day authorization period as approved by the prior authorization vendor.

e. The current moratorium on community support provider endorsement shall remain in effect.

f. A provider of community support services whose endorsement has been withdrawn or whose Medicaid participation has been terminated is not entitled to payment during the period the appeal is pending, and the Department shall make no payment to the provider during that period. If the final agency decision is in favor of the provider, the Department shall remove the suspension, commence payment for valid claims, and reimburse the provider for payments withheld during the period of appeal.

g. Effective 60 days from the enactment of this act, the paraprofessional level of community support shall be eliminated, and from this date the Department shall not use any Medicaid or State funds to pay for this level of service.

h. Thirty days after the enactment of this act, any concurrent request shall be accompanied with a discharge plan. Submission of the discharge plan will be a required document for a request to be considered complete. Failure to submit the discharge plan will result in the request being returned as "unable to process." Discharge from the service must occur within 90 days after the submission of the discharge plan.

i. Any community support provider that ceases to function as a provider shall provide written notification to DMA, the Local Management Entity, recipients, and the prior authorization vendor 30 days prior to closing of the business.

j. Medical and financial record retention is the responsibility of the provider and shall be in compliance with the record retention requirements of their Medicaid provider agreement or State-funded services contract. Records shall also be available to State, federal, and local agencies.

k. Failure to comply with notification, recipient transition planning, or record maintenance shall result in suspension of further payment until such failure is corrected. In addition, failure to comply shall result in denial of enrollment as a provider for any Medicaid or State-funded service. A provider (including its officers, directors, agents, or managing employees or individuals or entities having a direct or indirect ownership interest or control interest of five percent (5%) or more as set forth in Title XI of the Social Security Act) that fails to comply with the required record retention may be subject to sanctions, including exclusion from further participation in the Medicaid program, as set forth in Title XI.

(6) Community Support Team. – Authorization for a Community Support Team shall be based upon medical necessity as defined by the Department and shall not exceed 18 hours per week. The Division of Medical Assistance shall do an immediate rate study of the Community Support Team to bring the average cost of service per recipient in line with Assertive Community Treatment Team (ACTT) services. The Division shall also revise provider qualifications and tighten the service definition to contain costs in this line item. Not later than December 1, 2009, the Division of Medical Assistance shall report its findings on the rate study and any actions it has taken to conform with this subdivision to the Joint Legislative Oversight Committee

on Mental Health, Developmental Disabilities, and Substance Abuse Services.

(7) MH Residential. – The Department of Health and Human Services shall restructure the Medicaid child mental health, developmental disabilities, and substance abuse residential services to ensure that total expenditures are within budgeted levels. All restructuring activities shall be in compliance with federal and State law or rule. The Divisions of Medical Assistance and Mental Health, Developmental Disabilities, and Substance Abuse Services shall establish a team inclusive of providers, LMEs, and other stakeholders to assure effective transition of recipients to appropriate treatment options. The restructuring shall address all of the following:

a. Submission of the therapeutic family service definition to CMS.

b. The Department shall reexamine the entrance and continued stay criteria for all residential services. The revised criteria shall promote least restrictive services in the home prior to residential placement. During treatment, there must be inclusion in community activities and parent or legal guardian participation in treatment.

c. Require all existing residential providers or agencies to be nationally accredited within one year of enactment of this act. Any providers enrolled after the enactment of this act shall be subject to existing endorsement and nationally accrediting requirements. In the interim, providers who are nationally accredited will be preferred providers for placement considerations.

d. Before a child can be admitted to Level III or Level IV placement, one or more of the following shall apply:

1. Placement shall be a step down from a higher level placement such as a psychiatric residential treatment facility or inpatient.
2. Multisystemic therapy or intensive in-home therapy services have been unsuccessful.
3. The Child and Family Team has reviewed all other alternatives and recommendations and recommends Level III or IV placement due to maintaining health and safety.
4. Transition or discharge plan shall be submitted as part of the initial or concurrent request.

e. Length of stay is limited to no more than 120 days. Any exceptions granted will require an independent psychiatric assessment, Child and Family Team review of goals and treatment progress, family or discharge placement setting are actively engaged in treatment goals and objectives and active participation of the prior authorization of vendor.

f. Submission of discharge plan is required in order for the request to be considered complete. Failure to submit a complete discharge plan will result in the request being returned as unable to process.

g. Any residential provider that ceases to function as a provider shall provide written notification to DMA, the Local Management Entity, recipients, and the prior authorization vendor 30 days prior to closing of the business.

h. Record maintenance is the responsibility of the provider and must be in compliance with record retention requirements. Records shall also be available to State, federal, and local agencies.

i. Failure to comply with notification, recipient transition planning, or record maintenance shall be grounds for withholding payment until such activity is concluded. In addition, failure to comply shall be conditions that prevent enrollment for any Medicaid or State-funded service. A provider (including its officers, directors, agents, or managing employees or individuals or entities having a direct or indirect ownership interest or control interest of five percent (5%) or more as set forth in Title XI of the Social Security Act) that fails to comply with the required record retention may be subject to sanctions, including exclusion from further participation in the Medicaid program, as set forth in Title XI.

j. On or before October 1, 2009, the Department shall report on its plan for transitioning children out of Level III and Level IV group homes. The Department shall submit the reports to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services.

(8) Reduce Medicaid rates. – Subject to the prior approval of the Office of State Budget and Management, the Secretary shall reduce Medicaid provider rates to accomplish the reduction in funds for this purpose enacted in this act. The Secretary shall consider the impact on access to care through primary care providers and critical access hospitals and may adjust the rates accordingly. The rate reduction applies to all Medicaid private and public providers with the following exceptions: federally qualified health clinics, rural health centers, State institutions, hospital outpatient, pharmacies, and the noninflationary components of the case-mix reimbursement system for nursing facilities. Medicaid rates predicated upon Medicare fee schedules shall follow Medicare reductions but not Medicare increases unless federally required. Inflationary increases for Medicaid providers paying provider fees (private ICF-MRs and nursing facilities) can occur if the State share of the increases can be funded with provider fees.

(9) Medicaid identification cards. – The Department shall issue Medicaid identification cards to recipients on an annual basis with quarterly updates.

(10) The Department of Health and Human Services shall develop a plan for the consolidation of case management services. The plan shall address the time line and process for implementation, the vendors involved, the identification of savings, and the Medicaid recipients affected by the consolidation. Consolidation under this subdivision does not apply to HIV case management. By December 1, 2009, the Department shall report on 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.

(11) For the purpose of promoting cost-effective utilization of outpatient mental health services for children, DMA shall require prior authorization for services following the 16th visit.

(12) Provision of Medicaid Private Duty Nursing (PDN) – DMA shall change the Medicaid Private Duty Nursing Program provided under the State Medicaid Plan, as follows:

a. Restructure the current PDN Program to provide services that are:

1. Provided only to qualified recipients under the age of 21;

2. Authorized by the recipient's primary care or attending physician;

3. Limited to 16 hours of service per day, unless additional services are required to correct or ameliorate defects and physical and mental illnesses and conditions as defined in 42 U.S.C. § 1396d(r)(5);
4. Approved based on an initial assessment and continuing need reassessments performed by an Independent Assessment Entity (IAE) that does not provide PDN services and authorized in amounts that are medically necessary based on the recipient's medical condition, amount of family assistance available, and other relevant conditions and circumstances, as defined by the Medicaid Clinical Coverage Policy for this service.
5. Provided in accordance with a plan of care approved by DMA or its designee.

b. Develop and submit to CMS a § 1915(c) Home and Community-Based Services Waiver for individuals dependent on technology to substitute for a vital body function.

c. Once approved by CMS and upon approval of the Medicaid Clinical Coverage Policy, transition all qualified recipients age 21 and older currently receiving PDN to waiver services provided under the Technology Dependent Waiver."

IMPLEMENT INDEPENDENT ASSESSMENTS ON MENTAL HEALTH SERVICES

SECTION 10.36.(a) The Department of Health and Human Services, Division of Medical Assistance, shall require that, prior to the delivery of enhanced mental health services in the Medicaid program, an independent assessment be conducted that meets all of the following criteria:

(1) An initial assessment or a continuing need reassessment is performed by an Independent Assessment Entity (IAE) that is not the provider of the services in question.
(2) The IAE authorizes the type and amount of service to be provided based on the specific health condition and needs of the intended recipient of the service.

SECTION 10.36.(b) The Department of Health and Human Services, Division of Medical Assistance, shall provide a report of savings generated and other findings relating to the implementation of 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 on or before April 1, 2011.

DHSR ADULT CARE HOME ADMINISTRATOR/MEDICATION AIDE FEES

SECTION 10.36A.(a) Part 2 of Article 1 of Chapter 131D is amended by adding the following new section to read:

"**§ 131D-4.5A. Fees for medication aides.**

The Medical Care Commission may impose a fee, not to exceed twenty-five dollars ($25.00), on an applicant seeking certification as an adult care home medication aide to cover the costs of testing and materials in administering a certification examination."

SECTION 10.36A.(b) Article 20A of Chapter 90 of the General Statutes is amended by adding the following new section to read:

"**§ 90-288.15A. Fees.**

The Department may impose fees not to exceed the following amounts:

(1) Adult Care Home Administrator

	Examination Fee	$50.00
(2)	Adult Care Home Administrator Certificate Renewal Fee	$30.00 every two years."

DHHS BLOCK GRANTS

SECTION 10.37.(a) Appropriations from federal block grant funds are made for the fiscal year ending June 30, 2011, according to the following schedule:

TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) FUNDS

Local Program Expenditures

Division of Social Services

01.	Work First Family Assistance	$41,235,452
02.	Work First County Block Grants	94,453,315
03.	Work First Electing Counties	2,378,213
04.	Work First – Boys and Girls Clubs	2,500,000
05.	Work First – After-School Services for At-Risk Children	1,639,714
06.	Work First – After-School Programs for At-Risk Youth in Middle Schools	400,000
07.	Work First – Connect, Inc. (Work Central)	440,000
08.	Work First – Citizens Schools Program	360,000
09.	Adoption Services – Special Children's Adoption Fund	3,000,000
10.	Family Violence Prevention	2,200,000
11.	Child Protective Services – Child Welfare Workers for Local DSS	14,452,391
12.	Child Welfare Collaborative	1,129,115
12A.	Children's Home Society	200,000

Division of Child Development

13.	Subsidized Child Care Program	65,843,377

Division of Public Health

14.	Teen Pregnancy Initiatives	450,000

Department of Public Instruction	
15. More at Four	16,176,036
DHHS Programs	
16. Community Services	17,000,000
DHHS Administration	
17. Division of Social Services	1,093,176
18. Office of the Secretary	75,392
Transfers to Other Block Grants	
Division of Child Development	
19. Transfer to the Child Care and Development Fund	84,330,900
Division of Social Services	
20. Transfer to Social Services Block Grant for Child Protective Services – Child Welfare Training in Counties	1,750,000
21. Transfer to Social Services Block Grant for Maternity Homes	943,002
22. Transfer to Social Services Block Grant for Teen Pregnancy Prevention Initiatives	2,500,000
23. Transfer to Social Services Block Grant for County Departments of Social Services for Children's Services	4,500,000
24. Transfer to Social Services Block Grant for Foster Care Services	390,000
TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) FUNDS	$359,440,083
TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) EMERGENCY CONTINGENCY FUNDS RECEIVED THROUGH THE AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)	
Local Program Expenditures	
Division of Social Services	

01.	Work First Family Assistance	$46,392,544
	Division of Child Development	
02.	Subsidized Child Care	20,000,000
TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) EMERGENCY CONTINGENCY FUNDS RECEIVED THROUGH THE AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)		$66,392,544
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	609,455
05.	Foster Care Services (Transfer from TANF – $390,000)	1,997,619
06.	Maternity Homes (Transfer from TANF)	943,002
07.	Special Children Adoption Incentive Fund	500,000
08.	Child Protective Services-Child Welfare Training for Counties (Transfer from TANF)	1,750,000
09.	Home and Community Care Block Grant (HCCBG)	1,834,077
10.	Child Advocacy Centers	375,000
	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	
11.	Mental Health Services Program	422,003
12.	Developmental Disabilities Services Program	5,000,000
13.	Mental Health Services-Adult and Child/Developmental Disabilities Program/ Substance Abuse Services-Adult	3,234,601

Division of Child Development		
14.	Subsidized Child Care Program	1,156,744
Division of Vocational Rehabilitation		
15.	Vocational Rehabilitation Services – Easter Seal Society/UCP Community Health Program	188,263
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	3,633,077
Division of Health Service Regulation		
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	688,436
22.	Division of Social Services	892,624
23.	Office of the Secretary/Controller's Office	138,058
24.	Office of the Secretary/DIRM	87,483
25.	Division of Child Development	15,000
26.	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	29,665
27.	Division of Health Service Regulation	235,625
28.	Office of the Secretary-NC Inter-Agency Council for Coordinating Homeless Programs	250,000

29. Office of the Secretary	48,053
Transfers to Other State Agencies	
Department of Administration	
30. NC Commission of Indian Affairs In-Home Services for the Elderly	203,198
Transfers to Other Block Grants	
Division of Public Health	
31. Transfer to Preventive Health Services Block Grant for HIV/STD Prevention and Community Planning	145,819
TOTAL SOCIAL SERVICES BLOCK GRANT	$ 60,867,890
LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT	
Local Program Expenditures	
Division of Social Services	
01. Low-Income Energy Assistance Program (LIEAP)	$ 70,909,401
02. Crisis Intervention Program (CIP)	40,373,328
Local Administration	
Division of Social Services	
03. County DSS Administration	6,362,505
DHHS Administration	
04. Division of Social Services	275,000
05. Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	8,128
06. Office of the Secretary/DIRM	276,784
07. Office of the Secretary/Controller's Office	12,332
Transfers to Other State Agencies	
Department of Commerce	
08. Weatherization Program	500,000

09.	Heating Air Repair and Replacement Program (HARRP)	8,103,157
10.	Local Residential Energy Efficiency Service Providers – Weatherization	25,000
11.	Local Residential Energy Efficiency Service Providers – HARRP	266,375
12.	Department of Commerce Administration – Weatherization	25,000
13.	Department of Commerce Administration – HARRP	266,375
14.	Department of Administration – N.C. State Commission of Indian Affairs	129,807

TOTAL LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT $ 127,533,192

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT

Local Program Expenditures

Division of Child Development

01.	Subsidized Child Care Services (CCDF)	$153,889,889
02.	Contract Subsidized Child Care Services Support	547,600
03.	Subsidized Child Care Services (Transfer from TANF)	84,330,900
04.	Quality and Availability Initiatives	23,726,564
05.	TEACH	3,800,000

Division of Social Services

06.	Local Subsidized Child Care Services Support	$19,340,596

DHHS Administration

Division of Child Development

07.	DCD Administrative Expenses	6,539,277

Division of Central Administration

08. DHHS Central Administration – DIRM Technical Services	774,317
TOTAL CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT	$292,949,143

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT RECEIVED THROUGH THE AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)

Local Program Expenditures

Division of Child Development

01. Subsidized Child Care Services (CCDF)	$5,980,997
02. Electronic Benefits Transfer System	4,000,000

DHHS Program Expenditures

Division of Child Development

03. Quality and Availability Initiatives	2,904,787
TOTAL CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT RECEIVED THROUGH THE AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)	$12,885,784

MENTAL HEALTH SERVICES BLOCK GRANT

Local Program Expenditures

01. Mental Health Services – Adult	$ 5,124,810
02. Mental Health Services	1,731,432
03. Mental Health Services – Child	5,421,991
04. Administration	100,000
TOTAL MENTAL HEALTH SERVICES BLOCK GRANT	$ 12,378,233

SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT

Local Program Expenditures

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

01. Substance Abuse Services – Adult	$ 19,278,310
02. Substance Abuse Services	2,729,770

03.	Substance Abuse Treatment Alternative for Women	8,107,303
04.	Substance Abuse – HIV and IV Drug	5,116,378
05.	Substance Abuse Prevention – Child	7,186,857
06.	Substance Abuse Services – Child	4,940,500
07.	Institute of Medicine	250,000
08.	Administration	250,000
	Division of Public Health	
09.	Risk Reduction Projects	633,980
10.	Aid-to-Counties	209,576
TOTAL SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT		$ 48,702,674
MATERNAL AND CHILD HEALTH BLOCK GRANT		
Local Program Expenditures		
	Division of Public Health	
01.	Children's Health Services	7,534,865
02.	Women's Health	7,701,691
03.	Oral Health	38,041
DHHS Program Expenditures		
	Division of Public Health	
04.	Children's Health Services	1,368,778
05.	Women's Health	135,452
06.	State Center for Health Statistics	179,483
07.	Quality Improvement in Public Health	14,646
08.	Health Promotion	88,746
09.	Office of Minority Health	55,250

10. Immunization Program – Vaccine Distribution	382,648
DHHS Administration	
Division of Public Health	
11. Division of Public Health Administration	631,966
TOTAL MATERNAL AND CHILD HEALTH BLOCK GRANT	$ 18,131,566
PREVENTIVE HEALTH SERVICES BLOCK GRANT	
Local Program Expenditures	
Division of Public Health	
01. NC Statewide Health Promotion	$1,730,653
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	
Division of Public Health	
04. NC Statewide Health Promotion	1,623,117
05. Oral Health	70,000
06. State Laboratory of Public Health	16,600
TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT	$3,783,301
COMMUNITY SERVICES BLOCK GRANT	
Local Program Expenditures	
Office of Economic Opportunity	
01. Community Action Agencies	$ 17,968,944
02. Limited Purpose Agencies	998,275
DHHS Administration	
03. Office of Economic Opportunity	998,274
TOTAL COMMUNITY SERVICES BLOCK GRANT	$ 19,965,493

COMMUNITY SERVICES BLOCK GRANT RECEIVED THROUGH THE AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)

Local Program Expenditures

Office of Economic Opportunity

01.	Community Action Agencies	$ 10,000,000
TOTAL COMMUNITY SERVICES BLOCK GRANT RECEIVED THROUGH THE AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)		$ 10,000,000

GENERAL PROVISIONS

SECTION 10.37.(b) Information to Be Included in Block Grant Plans. – The Department of Health and Human Services shall submit a separate plan for each Block Grant received and administered by the Department, and each plan shall include the following:

(1) A delineation of the proposed allocations by program or activity, including State and federal match requirements.

(2) A delineation of the proposed State and local administrative expenditures.

(3) An identification of all new positions to be established through the Block Grant, including permanent, temporary, and time-limited positions.

(4) A comparison of the proposed allocations by program or activity with two prior years' program and activity budgets and two prior years' actual program or activity expenditures.

(5) A projection of current year expenditures by program or activity.

(6) A projection of federal Block Grant funds available, including unspent federal funds from the current and prior fiscal years.

SECTION 10.37.(c) Changes in Federal Fund Availability. – If the Congress of the United States increases the federal fund availability for any of the Block Grants or contingency funds and other grants related to existing block grants administered by the Department of Health and Human Services from the amounts appropriated in this section, the Department shall allocate the increase proportionally across the program and activity appropriations identified for that Block Grant in this section. In allocating an increase in federal fund availability, the Office of State Budget and Management shall not approve funding for new programs or activities not appropriated in this section.

If the Congress of the United States decreases the federal fund availability for any of the Block Grants or contingency funds and other grants related to existing block grants administered by the Department of Health and Human Services from the amounts appropriated in this section, the Department shall 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. The Office of State Budget and Management shall report on these changes.

Prior to allocating the change in federal fund availability, the proposed allocation must be approved by the Office of State Budget and Management. If the Department adjusts the allocation of any Block Grant due to changes in federal fund availability, then a report shall be made to the Joint Legislative Commission on Governmental Operations, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division.

SECTION 10.37.(d) Appropriations from federal Block Grant funds are made for the fiscal year ending June 30, 2011, according to the schedule enacted for State fiscal year 2010-2011 or until a new schedule is enacted by the General Assembly.

SECTION 10.37.(e) All changes to the budgeted allocations to the Block Grants or contingency funds and other grants related to existing block grants administered by the Department of Health and Human Services that are not specifically addressed in this section shall be approved by the Office of State Budget and Management, and the Office of State Budget and Management shall consult with the Joint Legislative Commission on Governmental Operations for review prior to implementing the changes. The report shall include an itemized listing of affected programs, including associated changes in budgeted allocations. All changes to the budgeted allocations to the Block Grants shall be reported immediately to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division. This subsection does not apply to Block Grant changes caused by legislative salary increases and benefit adjustments.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) FUNDS

SECTION 10.37.(f) The sum of one million ninety-three thousand one hundred seventy-six dollars ($1,093,176) appropriated in this section in TANF funds to the Department of Health and Human Services, Division of Social Services, for the 2010-2011 fiscal year shall be used to support administration of TANF-funded programs.

SECTION 10.37.(g) The sum of two million two hundred thousand dollars ($2,200,000) appropriated under this section in TANF funds to the Department of Health and Human Services, Division of Social Services, for the 2010-2011 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 develop jointly 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, 2010. 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, 2010, 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, 2010. The Division of Social Services may reallocate unspent funds to counties that submit a written request for additional funds.

SECTION 10.37.(h) The sum of one million six hundred thirty-nine thousand seven hundred fourteen dollars ($1,639,714) appropriated in this section in TANF funds to the Department of Health and Human Services, Division of Social Services, for the 2010-2011 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 10.37.(i) The sum of fourteen million four hundred fifty-two thousand three hundred ninety-one dollars ($14,452,391) appropriated in this section to the Department of Health and Human Services, Division of Social Services, in TANF funds for the 2010-2011 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 10.37.(j) The sum of three million dollars ($3,000,000) appropriated in this section in TANF funds to the Department of Health and Human Services, Special Children Adoption Fund, for the 2010-2011 fiscal year shall be used in accordance with G.S. 108A-50.2, as enacted in Section 10.48 of S.L. 2009-451. The Division of Social Services, in consultation with the North Carolina Association of County Directors of Social Services and representatives of licensed private adoption agencies, shall develop guidelines for the awarding of funds to licensed public and private adoption agencies upon the adoption of children described in G.S. 108A-50 and in foster care. Payments received from the Special Children Adoption Fund by participating agencies shall be used exclusively to enhance the adoption services program. No local match shall be required as a condition for receipt of these funds.

SECTION 10.37.(k) The sum of four hundred thousand dollars ($400,000) appropriated in this section to the Department of Health and Human Services, Division of Social Services, in TANF funds for the 2010-2011 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 10.37.(l) In implementing the use of TANF funds, 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 10.37.(m) The sum of four hundred forty thousand dollars ($440,000) appropriated in this section to the Department in TANF funds for the 2010-2011 fiscal year shall be transferred to Connect, Inc. Connect, 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 Connect, 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 Connect, 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, 2011.

SECTION 10.37.(n) The sum of two million five hundred thousand dollars ($2,500,000) appropriated in this section to the Department in TANF funds for Boys and Girls Clubs for the 2010-2011 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 TANF 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 10.37.(o) The sum of one million one hundred twenty-nine thousand one hundred fifteen dollars ($1,129,115) appropriated in this section to the Department of Health and Human Services in TANF funds for the 2010-2011 fiscal year shall be used to continue support for the Child Welfare Collaborative.

SECTION 10.37.(p) The sum of three hundred sixty thousand dollars ($360,000) appropriated to the Department of Health and Human Services, Division of Social Services, under this section in TANF funds for the 2010-2011 fiscal year shall be used to continue support for the Citizens Schools Program, a three-year urban/rural dropout prevention pilot program in the Durham and Vance County public school systems.

SECTION 10.37.(q) The sum of seventeen million dollars ($17,000,000) appropriated in this section to the Department of Health and Human Services in TANF funds for the 2010-2011 fiscal year for community services shall be used to support TANF-eligible programs. The Department, upon review and approval of the Office of State Budget and Management, shall implement an equivalent reduction of General Fund appropriations and shall transfer the appropriations to support community services.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) EMERGENCY CONTINGENCY FUNDS

SECTION 10.37.(r) The sum of twenty million dollars ($20,000,000) appropriated under this section from TANF Emergency Contingency funds to the Department of Health and Human Services, Division of Social Services, for the 2010-2011 fiscal year shall be used for subsidized child care services. Payment for subsidized child care services provided with TANF Emergency Contingency funds shall comply with all regulations and policies issued by the Division of Child Development for the subsidized child care program.

SECTION 10.37.(s) The sum of forty-six million three hundred ninety-two thousand five hundred forty-four dollars ($46,392,544) appropriated under this section from TANF Emergency Contingency funds to the Department of Health and Human Services, Division of Social Services, for the 2010-2011 fiscal year shall be used to support assistance payments provided under the Work First Family Assistance program.

SOCIAL SERVICES BLOCK GRANT

SECTION 10.37.(t) Social Services Block Grant funds appropriated to the North Carolina Inter-Agency Council for coordinating homeless programs, child medical evaluations, and community services provided by Children's Advocacy Centers are exempt from the provisions of 10A NCAC 71R .0201(3).

SECTION 10.37.(u) The sum of one million seven hundred fifty thousand dollars ($1,750,000) appropriated in this section in the Social Services Block Grant to the Department

of Health and Human Services, Division of Social Services, for the 2010-2011 fiscal year shall be used to support various child welfare training projects as follows:

(1) Provide a regional training center in southeastern North Carolina.

(2) Provide training for residential child caring facilities.

(3) Provide for various other child welfare training initiatives.

SECTION 10.37.(v) The sum of nine hundred forty-three thousand two dollars ($943,002) appropriated in this section to the Department of Health and Human Services in the Social Services Block Grant for the 2010-2011 fiscal year shall be used to support maternity home services.

SECTION 10.37.(w) The sum of one million nine hundred ninety-seven thousand six hundred nineteen dollars ($1,997,619) appropriated in this section in the Social Services Block Grant for child caring agencies for the 2010-2011 fiscal year shall be allocated in support of State foster home children.

SECTION 10.37.(x) The Department of Health and Human Services is authorized, subject to the approval of the Office of State Budget and Management, to transfer Social Services Block Grant funding allocated for departmental administration between divisions that have received administrative allocations from the Social Services Block Grant.

SECTION 10.37.(y) Social Services Block Grant funds appropriated for the Special Children's Adoption Incentive Fund will require a fifty percent (50%) local match.

SECTION 10.37.(z) The sum of three hundred seventy-five thousand dollars ($375,000) appropriated in this section in the Social Services Block Grant for the 2010-2011 fiscal year shall be allocated to the Division of Social Services to support community services provided by Children's Advocacy Centers on behalf of children who are victims of child abuse.

SECTION 10.37.(aa) 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 2010-2011 fiscal year shall be used to continue a Mental Health Services Program for children.

LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT

SECTION 10.37.(bb) 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 10.37.(cc) Payment for subsidized child care services provided with federal TANF funds shall comply with all regulations and policies issued by the Division of Child Development for the subsidized child care program.

SECTION 10.37.(dd) 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.

SECTION 10.37.(ee) If American Recovery and Reinvestment Act of 2009 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.

SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT

SECTION 10.37.(ff) The sum of two hundred fifty thousand dollars ($250,000) appropriated in this section in the Substance Abuse Prevention and Treatment Block Grant to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the 2010-2011 fiscal year for the North Carolina Institute of Medicine (NCIOM) shall be used to study the following:

(1) The availability of Medicaid and State-funded mental health, developmental disabilities, and substance abuse services to active duty, reserve, and veteran members of the military and National Guard. The study should discuss the current availability of services, the extent of use, and any gaps in services.

(2) Issues related to cost, quality, and access to appropriate and affordable health care for all North Carolinians. The North Carolina Institute of Medicine (NCIOM) may use funds appropriated for the 2007-2009 fiscal biennium to continue the work of its Health Access Study Group to study these issues. The Health Access Study Group may include in its study the matters contained in Sections 31.1, 31.2, and 31.3 of S.L. 2008-181 and also may monitor federal health-related legislation to determine how the legislation would impact costs, quality, and access to health care.

(3) Short-term and long-term strategies to address issues within adult care homes that provide residence to persons who are frail and elderly and to persons suffering from mental illness.

The Institute shall make an interim report to the Governor's Office, the Joint Legislative Health Care Oversight Committee, and the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services no later than January 15, 2010, which may include recommendations and proposed legislation, and shall issue its final report with findings, recommendations, and suggested legislation to the 2011 General Assembly upon its convening. In the event members of the General Assembly serve on the NCIOM Health Access Study Group, they shall receive per diem, subsistence, and travel allowances in accordance with G.S. 120-3.1. The Health Access Study Group may include in its study the matters contained in Sections 31.1, 31.2, and 31.3 of S.L. 2008-181 and also may monitor federal health-related legislation to determine how the legislation would impact costs, quality, and access to health care.

MATERNAL AND CHILD HEALTH BLOCK GRANT

SECTION 10.37.(gg) 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 2010-2011 fiscal year, then those funds shall be transferred to the State Board of Education to be administered by the Department of Public Instruction. The Department of Public Instruction shall use the funds to establish an abstinence until marriage education program and shall delegate to one or more persons the responsibility of implementing the program and G.S. 115C-81(e1)(4) and (4a). The Department of Public Instruction shall carefully and strictly follow federal guidelines in implementing and administering the abstinence education grant funds.

SECTION 10.37.(hh) The Department of Health and Human Services shall ensure that there will be follow-up testing in the Newborn Screening Program.

PART XI. DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

MINUTES

HEALTH AND HUMAN SERVICES
APPROPRIATIONS SUBCOMMITTEE

Tuesday May 25, 2010
9:30 AM
ROOM 643 LEGISLATIVE OFFICE BUILDING

The Joint Appropriations Subcommittee on Health and Human Services met Tuesday May 25, 2010 at 9:30 am in Room 643 of the Legislative Office Building. Representative Bob England presided. Rep. England called the meeting to order and introduced the Sergeant at Arms Staff and pages who would be assisting with the meeting. A copy of the agenda, attendance, and visitor registration is attached to these minutes, (Attachment 1, 2, and 3).

Rep. Holliman was recognized to present **HB 1707 - SHP/ Age-Out Dependents; Tobacco Use Testing** (Attachment 4).

Rep. England announced that from the Rules Chairs this bill was not sent out of Full Appropriations before the meeting, a vote will be taken around the desk after session.

Rep. England recognized members from the Committee for questions of the bill sponsor.

Rep. Dollar was recognized and moved for a motion at the appropriate time. Rep. Dollar moved for a favorable report and be referred to the House Chamber Floor.

There being no further business before the committee the meeting was adjourned at 9:40 am. A copy of all presentations is attached to these minutes.

Representative Verla Insko
Chair

Gina Insko
Committee Assistant

Rep. Beverly Earle
Rep. Verla Insko
Rep. Bob England
Rep. Jeffrey Barnhart
Rep. Jean Farmer-Butterfield
Rep. William Brisson
Rep. Justin Burr
Rep. Pearl Burris-Floyd
Rep. Nelson Dollar
Rep. Wil Neumann
Rep. Randy Stewart

HOUSE APPROPRIATIONS SUBCOMMITTEE FOR HEALTH AND HUMAN SERVICES

AGENDA

May 25, 2010; 9:30
Room 643, LOB

Chairs

Representative Beverly Earle
Representative Verla Insko
Representative Bob England

Consideration of HB 1707 - Rep. Hugh Holliman

ATTENDANCE

APPROPRIATIONS SUBCOMMITTEE ON HEALTH AND HUMAN SERVICES

(Name of Committee)

DATES	5-25-10	5-25-10	5-26-10	7-6-10											
REP. VERLA INSKO - CHAIR		X	X	X											
REP. BEVERLY EARLE - CHAIR	X		X												
REP. BOB ENGLAND - CHAIR	X	X	X	X											
REP. JEFF BARNHART VICE-CHAIR			X												
REP. JEAN FARMER-BUTTERFIELD VICE-CHAIR	X	X	X	X											
REP. WILLIAM BRISSON	X		X												
REP. JUSTIN BURR	X	X	X												
REP. PEARL BURRIS-FLOYD	X		X	X											
REP. NELSON DOLLAR	X		X	X											
REP. WIL NEUMANN		X	X	X											
REP. RANDY STEWART	X	X	X	X											
Sen. William Purcell															
Sen. Doug Berger															
Sen. Martin Nesbitt															
Sen. Charles Dannelly															
Sen. Blake Harris															
Sen. Debbie Clary															
Sen. James Forrester															
STAFF															
Melanie Bush	X	X	X	X											
Lee Dixon	X	X	X	X											
Lisa Hollowell	X	X	X	X											
Bryce Bell	X	X	X	X											

ATTACHMENT 3

VISITOR REGISTRATION SHEET

HHS — Name of Committee

5/25/10 — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
John Bowdish	AstraZeneca
Ed Singleton	Brooks Pierce
Mark Benson	
TRACY GLVAN	AHIC
Jeff DROZDA	United HEALTH GROUP
Marge Freeman	NCHE
Pat A. Gomez	APP CNC
Chuck Stone	SEANC
Andy Watkins	SEANC
Suzanne Bentley	SEANC
Chip Killian	Nelson Mullins

VISITOR REGISTRATION SHEET

HHS — Name of Committee

May 25, 2010 — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Elizabeth Robinson	NCRMA
Andrew Stiles	NCRMA
Joni Allen	BEGINNINGS
Jen Henderson	Food Amer. Food Banks
Fred Baron	Baron & Assoc.
ANN LOVE	DUKE
Maeve Goff	Smith Anderson
Kelsey Umstead	WakeMed
Ashley Emanuel	NMSS-NC
Bill Egan	NMSS NC
Carol B Duncan	SHP

VISITOR REGISTRATION SHEET

HHS — Name of Committee

5-25-10 — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
DAVID BARNES	DHS
Bob Hedrick	NCPE
Joel Maynard	GBM & Assoc
G. Payton Maynard	" "
Julia Adams	The Arc of NC
Emily Hawthorne	BHOR
[signature]	JD, AL, PA

VISITOR REGISTRATION SHEET

HHS — Name of Committee

5-25-10 — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Annaliese Dolph	DRNC
Fred Aikens	The Aikens Group LLC
Dick Carlton	atty.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

H 1

HOUSE BILL 1707

Short Title:	SHP/ Age-Out Dependents; Tobacco Use Testing.	(Public)
Sponsors:	Representatives Holliman, Tarleton, Gill, Jackson (Primary Sponsors); M. Alexander, Cotham, Dockham, Dollar, Fisher, Glazier, Goforth, Harrison, Hughes, Insko, Parfitt, Ross, and Weiss.	
Referred to:	Insurance, if favorable, Appropriations.	

May 17, 2010

A BILL TO BE ENTITLED

AN ACT (1) TO ALLOW ALREADY ENROLLED DEPENDENT CHILDREN UNDER THE AGE OF TWENTY-SIX WHO ARE NOT ELIGIBLE FOR EMPLOYER-BASED HEALTH CARE TO REMAIN ON THE NORTH CAROLINA STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES FOR PLAN YEAR 2010-2011 AND (2) TO DIRECT THE STATE HEALTH PLAN TO CONSULT WITH THE COMMITTEE ON HOSPITAL AND MEDICAL BENEFITS BEFORE IMPLEMENTING ANY TOBACCO USE TESTING PROGRAM.

The General Assembly of North Carolina enacts:

SECTION 1. Notwithstanding the requirement in G.S. 135-45.2(d)(1) that a dependent child less than 26 years of age be a full-time student to be eligible for coverage, a dependent child enrolled in the North Carolina State Health Plan for Teachers and State Employees as of May 1, 2010, may remain on the Plan through the end of the month following the dependent child's 26th birthday, regardless of the dependent child's status as a full-time student, provided that the dependent child is not eligible for other employer sponsored health benefit coverage as a primary beneficiary or spousal dependent.

SECTION 2. The Executive Administrator of the State Health Plan for Teachers and State Employees shall consult with the Committee on Employee and Hospital Medical Benefits prior to implementing any program to verify tobacco usage by members of the Plan.

SECTION 3. Section 1 of this act is effective June 1, 2010, and is repealed effective July 1, 2011. The remainder of the act is effective when it becomes law.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2009

Legislative Actuarial Note

HEALTH BENEFITS

BILL NUMBER: House Bill 1707 (First Edition)

SHORT TITLE: SHP/ Age-Out Dependents; Tobacco Use Testing.

SPONSOR(S): Representatives Holliman, Tarleton, Jackson, and Gill

SYSTEM OR PROGRAM AFFECTED: State Health Plan for Teachers and State Employees (Plan).

FUNDS AFFECTED: State General Fund, State Highway Fund, other State employer receipts; premium payments for dependents of active employees and retired employees of State agencies and universities, local public schools and local community colleges; premium payments for coverages selected by eligible former employees; premium payments for coverages selected by firefighters, rescue squad workers, members of the National Guard, and certain authorized local governments.

BILL SUMMARY:

Section 1: Effective June 1, 2010 and repealed July 1, 2011, the proposed bill removes the full-time student requirement for dependent children to remain eligible for benefit coverage under the Plan through the end of the month following their 26th birthday. The bill applies only to dependent children who were enrolled in the Plan as of May 1, 2010, and excludes certain dependent children from eligible coverage under the Plan if an otherwise eligible dependent child is eligible for other employer-sponsored health benefit coverage

Section 2: Requires the Plan's Executive Administrator to consult with the General Assembly's Committee on Employee and Hospital Medical Benefits before implementing a plan to verify tobacco use by plan members.

EFFECTIVE DATE: Section 1 of the act is effective June 1, 2010 and is repealed effective July 1, 2011. The remainder of the act is effective when it becomes law.

ESTIMATED IMPACT ON STATE:

Aon Consulting, the consulting actuary for the State Health Plan for Teachers and State Employees, estimates that Section 1 of the bill's requirements will increase the Plan's total claims cost by a range of $1.2 million to $3.4 million for the 2010-2011 fiscal year.

Hartman & Associates, the consulting actuary for the General Assembly's Fiscal Research Division, estimates that Section 1 of the bill's requirements will increase the Plan's total claims cost by a range of $2.1 million to $3.6 million for the 2010-2011 fiscal year.

The additional cost impact of the requirements in Section 1 of the bill, projected by either consulting actuary, would be expected to impact total claims growth by approximately fourteen tenths of one percent (0.14%) for the 2010-2011 fiscal year based on the highest estimate of additional cost (i.e., $3.6 million). **ASSUMPTIONS AND METHODOLOGY:** The actuarial analyses used by each respective consulting actuary are on file with the Fiscal Research Division. Copies of each respective consulting actuary's analysis, including assumptions, are also attached to the original copy of this Legislative Actuarial note.

Summary Information and Data about the Plan

The Plan administers health benefit coverage for active employees from employing units of State agencies and departments, universities, local public schools, and local community colleges. Eligible retired employees of authorized employing units may also access health benefit coverage under the Plan. Eligible dependents of active and retired employees are authorized to participate in the Plan provided they meet certain requirements. Employees and retired employees of selected local governments may also participate in the Plan under certain conditions. Members of fire, rescue squads, and the National Guard may also obtain coverage under the Plan provided they meet certain eligibility criteria.

As of July 1, 2009, the State finances the Plan on a self-funded basis and administers benefit coverage under a Preferred Provider Option (PPO) arrangement. The Plan's receipts are derived through premium contributions, investment earnings and other receipts. Premiums for health benefit coverage are paid by (1) employing agencies for active employees, (2) the Retiree Health Benefit Fund for retired employees, and (3) employees and retirees who elect dependent coverage. Total *revised* requirements for the Plan are estimated to be $2.55 billion for FY 2009-10 and $2.74 billion for FY 2010-11. The Plan's PPO benefit design includes two alternative benefit levels listed below:

1) The "Basic" 70/30 plan that offers higher out-of pocket requirements in return for lower fully contributory dependent premiums; and

2) The "Standard" 80/20 plan.

The Basic and Standard plans offer coverage to employees and retired employees on a noncontributory basis. Coverage for dependents under both plans is offered on a fully contributory basis.

Financial Condition

Revised Financial Projection 2009-11 Biennium – The following summarizes a revised financial projection conducted by the Plan's consulting actuary, Aon Consulting, for the 2009-11biennium. The information is provided by fiscal year based on year-to-date financial experience (through March 2010) and other updated factors.

For the fiscal year beginning July 1, 2009, the Plan began its operations with a beginning cash balance of $189.9 million. Receipts for the year are projected to be $2.41 billion from net premium collections, $74.4 million from Medicare Part D subsidies, and $3.4 million from investment earnings for a total of approximately $2.49 billion in receipt income for the year. Projected disbursements from the Plan are expected to be $2.39 billion in net claim-payment expenses and $164.1 million in administration and claims-processing expenses for projected total expenses of nearly $2.55 billion for FY 2009-10. The Plan's net operating loss is projected to be approximately $66.3 million for the fiscal year, assuming a 9% annual claims growth trend and an annual premium increase of 8.9% effective July 1, 2009.

For the fiscal year beginning July 1, 2010, the Plan is projected to begin its operations with a beginning cash balance of $123.6 million. Receipts for the year are projected to be $2.68 billion from net premium collections, $56.1 million from Medicare Part D subsidies, and $2.7 million from investment earnings for a total of approximately $2.73 billion in receipt income for the year. Projected disbursements from the Plan are expected to be $2.55 billion in net claim-payment expenses and $191.7 million in administration and claims-processing expenses for projected total expenses of nearly $2.74 billion for FY 2010-11. The Plan's net operating loss is projected to be approximately $7.1 million for the fiscal year, assuming a 9% annual claims growth trend and an annual premium increase of 8.9% effective July 1, 2010.

Based on the revised financial projection (May 2010), the Plan's estimated ending cash balance on June 30, 2011 is projected to be $116.5 million. This amount is approximately $75.7 million less than the originally projected (April 2009) ending cash balance of $192.2 million.

Original Financial Projection 2009-11 Biennium (April 2009) – Session Law 2009-16 (Senate Bill 287) appropriated funds from various sources, authorized annual premium rate increases, made various benefit and provider related changes to achieve financial savings, and directed other various changes to the Plan. The enacted law also appropriated the sum of $250 million from the Savings Reserve Account ("Rainy Day Fund") of the General Fund for the 2008-09 fiscal year. The following summarizes the original financial projection by conducted by the Plan's consulting actuary, Aon Consulting, for the 2009-11 biennium. The following summarizes the original financial projection by fiscal year for the 2009-11 biennium and assumes the changes enacted in Session Law 2009-16 (Senate Bill 287).

For the fiscal year beginning July 1, 2009, the Plan was projected to begin its operations with a beginning cash balance of $146.9 million. Receipts for the year were projected to be $2.4 billion from net premium collections, $56.3 million from Medicare Part D subsidies, and $8.0 million from investment earnings for a total of approximately $2.5 billion in receipt income for the year. Projected disbursements from the Plan were expected to be $2.3 billion in net claim-payment expenses and $185.6 million in administration and claims-processing expenses for projected total expenses of nearly $2.5 billion for FY 2009-10. The Plan's net operating income was projected to be approximately $14.8 million for the fiscal year, assuming a 9% annual claims growth trend and an annual premium increase of 8.9% effective July 1, 2009.

For the fiscal year beginning July 1, 2010, the Plan was projected to begin its operations with a beginning cash balance of $161.6 million. Receipts for the year were projected to be $2.7 billion from net premium collections, $50.4 million from Medicare Part D subsidies, and $8.8 million from investment earnings for a total of approximately $2.7 billion in receipt income for the year. Projected disbursements from the Plan were expected to be $2.5 billion in net claim-payment expenses and $191.7 million in administration and claims-processing expenses for projected total expenses of nearly $2.7 billion for FY 2010-11. The Plan's net operating income was projected to be approximately $30.6 million for the fiscal year, assuming a 9% annual claims growth trend and an annual premium increase of 8.9% effective July 1, 2010.

Other Information

Historically, the Plan has applied a premium increase in October of the first fiscal year of a biennium. However, the annual premium increases authorized in Session Law 2009-16 (Senate Bill 287) changes that methodology to an annual increase at the beginning of each fiscal year of the 2009-11 biennium.

Additional assumptions include Medicare benefit "carve-outs," cost containment strategies including prior approval for certain medical services, utilization of the "Blue Options" provider network, case and disease management for selected medical conditions, mental health case management, coordination of benefits with

other payers, a prescription drug benefit manager with manufacturer rebates from formularies, and fraud detection, and other authorized actions by the Executive Administrator and Board of Trustees to manage the Plan to maintain and improve the Plan's operation and financial condition where possible. Claim cost trends are expected to increase at a rate of 9% annually according to the Plan's consulting actuary. Investment earnings are based upon a 4.5% return on available cash balances.

Enrollment as of December 31, 2009

I. No. of Participants	Basic	Standard	Total	Percent of Total
Actives				
Employees	30	6	36	0.0%
Dependents	49	10	59	0.0%
Sub-total	79	16	95	0.1%
Retired				
Employees	2,074	151,395	153,469	85.3%
Dependents	1,313	18,075	19,388	10.8%
Sub-total	3,387	169,470	172,857	96.1%
Former Employees with Continuation Coverage				
Employees	121	3,120	3,241	1.8%
Dependents	87	749	836	0.5%
Sub-total	208	3,869	4,077	2.3%
Firefighters, Rescue Squad & National Guard				
Employees	-	5	5	0.0%
Dependents	-	3	3	0.0%
Sub-total	-	8	8	0.0%
Local Governments				
Employees	91	1,829	1,920	1.1%
Dependents	174	777	951	0.5%
Sub-total	265	2,606	2,871	1.6%
Total				
Employees	2,316	156,355	158,671	88.2%
Dependents	1,623	19,614	21,237	11.8%
Grand Total	**3,939**	**175,969**	**179,908**	**100%**
Percent of Total	**2.2%**	**97.8%**	**100.0%**	

II. Enrollment by Contract	Basic	Standard	Total
Employee Only	3,252	378,539	381,791
Employee Child(ren)	6,026	43,820	49,846
Employee Spouse	2,550	21,785	24,335
Employee Family	4,288	19,741	24,029
Total	**16,116**	**463,885**	**480,001**

Percent Enrollment by Contract	Basic	Standard	Total
Employee Only	20.2%	81.6%	79.5%
Employee Child(ren)	37.4%	9.4%	10.4%
Employee Spouse	15.8%	4.7%	5.1%
Employee Family	26.6%	4.3%	5.0%
Total	**100.0%**	**100.0%**	**100.0%**

III. Enrollment by Sex	Basic	Standard	Total
Female	22,479	390,209	412,688
Male	19,804	228,840	248,644
Total	**42,283**	**619,049**	**661,332**

Percent Enrollment by Sex	Basic	Standard	Total
Female	53.2%	63.0%	62.4%
Male	46.8%	37.0%	37.6%
Total	**100.0%**	**100.0%**	**100.0%**

IV. Enrollment by Age	Basic	Standard	Total
19 & Under	17,315	95,431	112,746
20 to 29	3,311	57,142	60,453
30 to 44	9,555	120,292	129,847
45 to 54	6,455	108,447	114,902
55 to 64	4,090	128,933	133,023
65 & Over	1,557	108,804	110,361
Total	**42,283**	**619,049**	**661,332**

Percent Enrollment by Age	Basic	Standard	Total
19 & Under	41.0%	15.4%	17.0%
20 to 29	7.8%	9.2%	9.1%
30 to 44	22.6%	19.4%	19.6%
45 to 54	15.3%	17.5%	17.4%
55 to 64	9.7%	20.8%	20.1%
65 & Over	3.7%	17.6%	16.7%
Total	**100.0%**	**100.0%**	**100.0%**

V. Retiree Enrollment by Category	Employee	Dependents	Total
Non-Medicare Eligible	51,747	11,879	63,626
Medicare Eligible	101,722	7,509	109,231
Total	**153,469**	**19,388**	**172,857**

III. Enrollment by Sex	Basic	Standard	Total
Female	-	-	-
Male	-	1	1
Total	**-**	**1**	**1**

VI. Enrollment By Major Employer Groups	Employees	Dependents	Total
State Agencies	75,367	34,645	110,012
UNC System	50,106	29,726	79,832
Local Public Schools	181,270	88,258	269,528
Local Community Colleges	14,623	7,524	22,147
Other			
Local Governments	1,920	951	2,871
COBRA	3,241	836	4,077
Nat. Guard, Fire & Rescue	5	3	8
Sub-total	5,166	1,790	6,956
Retirement System	153,469	19,388	172,857
Total	**480,001**	**181,331**	**661,332**

Percent Enrollment by Major Employer Groups	Employees	Dependents	Total
State Agencies	15.7%	19.1%	16.6%
UNC System	10.4%	16.4%	12.1%
Local Public Schools	37.8%	48.7%	40.8%
Local Community Colleges	3.0%	4.1%	3.3%
Other			
Local Governments	0.4%	0.5%	0.4%
COBRA	0.7%	0.5%	0.6%
Nat. Guard, Fire & Rescue	0.0%	0.0%	0.0%
Sub-total	1.1%	1.0%	1.1%
Retirement System	32.0%	10.7%	26.1%
Total	100.0%	100.0%	100.0%

SOURCES OF DATA:

-Actuarial Note, Hartman & Associates, House Bill 1707 (First Edition), "Proposed House Bill: An Act to Allow Already Enrolled Dependent Children to Remain in the Teachers and State Employees Until Age 26 and to Direct the Plan to Consult with the Committee on Hospital and Medical Benefits Before Implementing any Tobacco Testing Program", May 18, 2010, original of which is on file in the General Assembly's Fiscal Research Division.

-Actuarial Note, Aon Consulting, House Bill 1707 (First edition), 'House DRH80523-91 Age-Out Dependents; Tobacco Use Testing", May 14, 2010, original of which is on file with the State Health Plan for Teachers and State Employees and the General Assembly's Fiscal Research Division.

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Mark Trogdon

APPROVED BY: Marilyn Chism, Director
Fiscal Research Division

DATE: May 19, 2010

Signed Copy Located in the NCGA Principal Clerk's Offices

NORTH CAROLINA STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES

HOUSE DRH80523-91

AGE-OUT DEPENDENTS; TOBACCO USE TESTING

Prepared by:

Aon Consulting
One Piedmont Center
3565 Piedmont Road, N.E.
Atlanta, Georgia 30305

May 2010

ACTUARIAL STATEMENT

The North Carolina State Health Plan for Teachers and State Employees has requested that Aon Consulting prepare an Actuarial Note in response to House DRH80523-91 entitled "AN ACT (1) TO ALLOW ALREADY ENROLLED DEPENDENT CHILDREN UNDER THE AGE OF TWENTY SIX WHO ARE NOT ELIGIBLE FOR EMPLOYER-BASED HEALTH CARE TO REMAIN ON THE NORTH CAROLINA STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES FOR PLAN YEAR 2010-2011 AND (2) TO DIRECT THE STATE HEALTH PLAN TO CONSULT WITH THE COMMITTEE ON HOSPITAL AND MEDICAL BENEFITS BEFORE IMPLEMENTING ANY TOBACCO USE TESTING PROGRAM."

The Actuarial Note was prepared according to generally accepted actuarial principles and practices, in compliance with General Statute 120-114. As required by statute, the Note includes an explanatory statement of the proposed change(s) and, to the extent possible, an estimate of the financial and actuarial effect of the proposed change(s) on the Plan. The Actuarial Note makes no comment or opinion with regard to the merits of the measure for which the Note is prepared; however, any identified technical or mechanical defects have been noted.

We have reviewed the input and results of our analysis for reasonableness, and relied upon the data and information provided by the Plan and their Claims Processing Contractor.

May 14, 2010

Kenneth C. Vieira, F.S.A., M.A.A.A.
Senior Vice President

Date

SHP/ Age-Out Dependents; Tobacco Use Testing

PLAN CHANGES

The General Assembly of North Carolina enacts:

SECTION 1. Notwithstanding the requirement in G.S. 135 45.2(d)(1) that a dependent child less than 26 years of age be a full-time student to be eligible for coverage, a dependent child enrolled in the North Carolina State Health Plan for Teachers and State Employees as of May 1, 2010, may remain on the Plan through the end of the month following the dependent child's 26th birthday, regardless of the dependent child's status as a full-time student, provided that the dependent child is not eligible for other employer sponsored health benefit coverage as a primary beneficiary or spousal dependent.

SECTION 2. The Executive Administrator of the State Health Plan for Teachers and State Employees shall consult with the Committee on Employee and Hospital Medical Benefits prior to implementing any program to verify tobacco usage by members of the Plan.

SECTION 3. Section 1 of this act is effective June 1, 2010, and is repealed effective July 1, 2011. The remainder of the act is effective when it becomes law.

PROJECTED COSTS

Plan Design Change	2009-2010 Fiscal Year Cost *	2010-2011 Fiscal Year Cost *	Total Biennium Cost *
SHP/ Age-Out Dependents; Tobacco Use Testing	$1.2 to $3.4 with a midpoint of $2.3 million.		

* Based on the most recent (May 2010) total projected expenses of $2,552,923,890 and $2,740,501,355 for the 2010 and 2011 fiscal years respectively.

PRICING APPROACH AND COMMENTS

The following information was compiled and utilized in determining the projected costs or savings of each benefit component addressed in this actuarial note:

- Numerous reports were received from the Claims Processing Contractor (CPC) to estimate the cost of this legislation. The first one showed the number of dependent terminations by ages ranging from 19 to 25. The report excluded situations where an employee terminated, and thus, dependents are no longer eligible. The report was done for each of the last three years.
- A second report from the CPC detailed the number of dependents by age and coverage level (employee and children vs. employee and family). The report was for three snapshot periods – June 2008, June 2009 and March 2010 (most recent).
- The third report detailed how many subscribers had their premium tier changed when the dependent lost their coverage. This was also summarized for each of the last three fiscal years.

- From the reports above we were able to estimate that 6,840 dependents would be terminated over the next fiscal year. Aon estimated the participation percentage by age, coming to an overall number ranging from 28% to 55% or 1,888 to 3,776. The percentages are assumed to incorporate the requirement that the dependent child is not eligible for other employer sponsored health benefit coverage as a primary beneficiary or spousal dependent.

- Information was pulled based on EinfoNow data. The costs were calculated to be $146 Per Member Per Month (PMPM) for the expected age distribution. This was used as the low end of the range with a high range utilizing a 14% selection factor, resulting in $167 PMPM.

- Combining the expected membership increase with the expected costs produced an increased expenditure of $3.3 million to $7.6 million. These expenditures would be offset by additional premiums of $2.1 million to $4.2 million. The net impact to the State Health Plan would be $1.2 million to $3.4 million.

- There is no financial impact from Section 2 that requires the Executive Administrator to consult with the Committee on Employee and Hospital Medical Benefits prior to implementing any program to verify tobacco usage by members of the Plan.

HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

MARK V. HARTMAN, FSA, MAAA, MCA, EA

hartman@triad.rr.com

Phone: (336) 731-4038
Fax: (336) 731-2583

668 Link Road
Lexington, NC 27295

May 18, 2010

Mr. Mark Trogdon
Fiscal Research Division
North Carolina General Assembly
300 N. Salisbury Street
Raleigh, NC 27603-5925

Re: Proposed House Bill: An Act to Allow Already Enrolled Dependent Children to Remain in the State Health Plan for Teachers and State Employees Until Age 26 And to Direct the Plan to Consult With the Committee on Hospital and Medical Benefits Before Implementing Any Tobacco Testing Program

Dear Mr. Trogdon:

Section 1 of this bill provides that, notwithstanding the requirement under G.S. 135-56.2(d)(1) that a dependent child under age 26 be a full-time student to be eligible for coverage under the North Carolina State Health Plan for Teachers and State Employees, a dependent child enrolled in the Plan as of May 1, 2010 may remain on the Plan through the end of the month following the child's 26th birthday. The bill provides that the extended coverage is not available if the dependent child is eligible for other employer sponsored health benefit coverage as a primary beneficiary or spousal dependent.

Section 2 of the bill requires the Executive Administrator of the Plan to consult with the Committee on Hospital and Medical Benefits prior to implementing any program to verify tobacco usage by members of the Plan. Section 1 of this act is effective June 1, 2010 and is repealed effective July 1, 2011. The remainder of the act is effective when it becomes law.

The elimination of the full-time student requirement for dependent child coverage will allow for these members to extend coverage under the Plan. This will produce addition benefit payments by the Plan, offset by additional premiums paid by members for dependent coverage. The financial impact on the Plan will depend on a number of factors, including the following:

- The number of dependent children who would otherwise lose eligibility.
- The number who elect to continue coverage under the Plan.
- The number who are ineligible due to other employer coverage.
- The coverage tier (Family or Employee/Child) under which the dependent is covered.
- The existence of other children covered under the same contract, in which cases no additional premium will be payable.
- The length of time the coverage will be extended.

Due to the potential variance in these factors, I have estimated a range of costs to the Plan. For the fiscal year beginning July 1, 2010, the estimated cost is $2.1 million to $3.6 million.

The costs estimates are based on my analysis of data provided by the Plan regarding the loss of eligibility status for dependents age 19 through 25 over the past three fiscal years. This data indicates the number of dependents potentially affected by this bill is 7,000 to 9,000. The data also indicates that approximately 40% of contracts change coverage tier when coverage for a dependent child terminates, reflecting the fact that other children may be covered under the same contract.

Dependent claim costs are based on data for fiscal year 2009 and fiscal year 2010 through March. Projected costs include a two-week claim payment lag for prescription drugs and a 45-day lag for medical services. An average risk factor of 10% was included to cover potential selection against the Plan. I have not included any provision for additional administrative costs, and the Plan has indicated that these costs are expected to be minimal. A summary of the cost range is included in Attachment #1.

If you have any questions, let me know.

Sincerely,

Mark Hartman

Mark V. Hartman, FSA, MAAA, FCA, EA
Consulting Actuary

MVH/mt

Attachment #1

NC State Health Plan – Projected Cost Extending Dependent Coverage to Age 26		
Item	Low Estimate	High Estimate
Members Covered	3,750	6,750
Portion of Year Covered	60%	85%
Selection Factor	20%	0%
Premium Income	$2,041,852	$5,206,722
Benefits	$4,145,852	$8,809,935
Net Gain/(Loss)	($2,104,000)	($3,603,213)

MINUTES

HEALTH AND HUMAN SERVICES
APPROPRIATIONS SUBCOMMITTEE

Tuesday May 25, 2010
4:30 PM
Rep. England House Chamber Desk, Seat 5

The Joint Appropriations Subcommittee on Health and Human Services met Tuesday May 25, 2010 at 4:30 p.m. around Rep. England's House Chamber Desk, Seat 5. Representative Bob England presided. Rep. England called the meeting to order a copy of the attendance is attached to these minutes, (Attachment 1).

Rep. Holliman was recognized to present **HB 1707 - SHP/ Age-Out Dependents; Tobacco Use Testing** (Attachment 2). Also attached the Legislative Actuarial Note (Attachment 3). Rep. Dollar was recognized and moved for a favorable report and to be referred to the House Chamber Floor. The motion passed.

There being no further business before the committee the meeting was adjourned at 4:35 p.m. A copy of all presentations is attached to these minutes.

Representative Verla Insko
Chair

Gina Insko
Committee Assistant

Attachments

1. Attendance
2. HB 1707 SHP/Age-Out Dependents; Tobacco Use Testing
3. Legislative Actuarial Note
4. Committee Report

ATTENDANCE

APPROPRIATIONS SUBCOMMITTEE ON HEALTH AND HUMAN SERVICES

(Name of Committee)

DATES	5-25-10	5-25-10	5-26-10	7-6-10											
REP. VERLA INSKO - CHAIR		X	X	X											
REP. BEVERLY EARLE - CHAIR	X		X												
REP. BOB ENGLAND - CHAIR	X	X	X	X											
REP. JEFF BARNHART VICE-CHAIR			X												
REP. JEAN FARMER-BUTTERFIELD VICE-CHAIR	X	X	X	X											
REP. WILLIAM BRISSON	X		X												
REP. JUSTIN BURR	X	X	X												
REP. PEARL BURRIS-FLOYD	X		X	X											
REP. NELSON DOLLAR	X		X	X											
REP. WIL NEUMANN		X	X	X											
REP. RANDY STEWART	X	X	X	X											
Sen. William Purcell															
Sen. Doug Berger															
Sen. Martin Nesbitt															
Sen. Charles Dannelly															
Sen. Blake Harris															
Sen. Debbie Clary															
Sen. James Forrester															
STAFF															
Melanie Bush	X	X	X	X											
Lee Dixon	X	X	X	X											
Lisa Hollowell	X	X	X	X											
Bryce Bell	X	X	X	X											

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

HOUSE BILL 1707

Short Title:	SHP/ Age-Out Dependents; Tobacco Use Testing.	(Public)
Sponsors:	Representatives Holliman, Tarleton, Gill, Jackson (Primary Sponsors); M. Alexander, Cotham, Dockham, Dollar, Fisher, Glazier, Goforth, Harrison, Hughes, Insko, Parfitt, Ross, and Weiss.	
Referred to:	Insurance, if favorable, Appropriations.	

May 17, 2010

A BILL TO BE ENTITLED

AN ACT (1) TO ALLOW ALREADY ENROLLED DEPENDENT CHILDREN UNDER THE AGE OF TWENTY-SIX WHO ARE NOT ELIGIBLE FOR EMPLOYER-BASED HEALTH CARE TO REMAIN ON THE NORTH CAROLINA STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES FOR PLAN YEAR 2010-2011 AND (2) TO DIRECT THE STATE HEALTH PLAN TO CONSULT WITH THE COMMITTEE ON HOSPITAL AND MEDICAL BENEFITS BEFORE IMPLEMENTING ANY TOBACCO USE TESTING PROGRAM.

The General Assembly of North Carolina enacts:

SECTION 1. Notwithstanding the requirement in G.S. 135-45.2(d)(1) that a dependent child less than 26 years of age be a full-time student to be eligible for coverage, a dependent child enrolled in the North Carolina State Health Plan for Teachers and State Employees as of May 1, 2010, may remain on the Plan through the end of the month following the dependent child's 26th birthday, regardless of the dependent child's status as a full-time student, provided that the dependent child is not eligible for other employer sponsored health benefit coverage as a primary beneficiary or spousal dependent.

SECTION 2. The Executive Administrator of the State Health Plan for Teachers and State Employees shall consult with the Committee on Employee and Hospital Medical Benefits prior to implementing any program to verify tobacco usage by members of the Plan.

SECTION 3. Section 1 of this act is effective June 1, 2010, and is repealed effective July 1, 2011. The remainder of the act is effective when it becomes law.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2009

Legislative Actuarial Note

HEALTH BENEFITS

BILL NUMBER: House Bill 1707 (First Edition)

SHORT TITLE: SHP/ Age-Out Dependents; Tobacco Use Testing.

SPONSOR(S): Representatives Holliman, Tarleton, Jackson, and Gill

SYSTEM OR PROGRAM AFFECTED: State Health Plan for Teachers and State Employees (Plan).

FUNDS AFFECTED: State General Fund, State Highway Fund, other State employer receipts; premium payments for dependents of active employees and retired employees of State agencies and universities, local public schools and local community colleges; premium payments for coverages selected by eligible former employees; premium payments for coverages selected by firefighters, rescue squad workers, members of the National Guard, and certain authorized local governments.

BILL SUMMARY:

Section 1: Effective June 1, 2010 and repealed July 1, 2011, the proposed bill removes the full-time student requirement for dependent children to remain eligible for benefit coverage under the Plan through the end of the month following their 26th birthday. The bill applies only to dependent children who were enrolled in the Plan as of May 1, 2010, and excludes certain dependent children from eligible coverage under the Plan if an otherwise eligible dependent child is eligible for other employer-sponsored health benefit coverage

Section 2: Requires the Plan's Executive Administrator to consult with the General Assembly's Committee on Employee and Hospital Medical Benefits before implementing a plan to verify tobacco use by plan members.

EFFECTIVE DATE: Section 1 of the act is effective June 1, 2010 and is repealed effective July 1, 2011. The remainder of the act is effective when it becomes law.

ESTIMATED IMPACT ON STATE:

Aon Consulting, the consulting actuary for the State Health Plan for Teachers and State Employees, estimates that Section 1 of the bill's requirements will increase the Plan's total claims cost by a range of $1.2 million to $3.4 million for the 2010-2011 fiscal year.

Hartman & Associates, the consulting actuary for the General Assembly's Fiscal Research Division, estimates that Section 1 of the bill's requirements will increase the Plan's total claims cost by a range of $2.1 million to $3.6 million for the 2010-2011 fiscal year.

The additional cost impact of the requirements in Section 1 of the bill, projected by either consulting actuary, would be expected to impact total claims growth by approximately fourteen tenths of one percent (0.14%) for the 2010-2011 fiscal year based on the highest estimate of additional cost (i.e., $3.6 million).
ASSUMPTIONS AND METHODOLOGY: The actuarial analyses used by each respective consulting actuary are on file with the Fiscal Research Division. Copies of each respective consulting actuary's analysis, including assumptions, are also attached to the original copy of this Legislative Actuarial note.

Summary Information and Data about the Plan

The Plan administers health benefit coverage for active employees from employing units of State agencies and departments, universities, local public schools, and local community colleges. Eligible retired employees of authorized employing units may also access health benefit coverage under the Plan. Eligible dependents of active and retired employees are authorized to participate in the Plan provided they meet certain requirements. Employees and retired employees of selected local governments may also participate in the Plan under certain conditions. Members of fire, rescue squads, and the National Guard may also obtain coverage under the Plan provided they meet certain eligibility criteria.

As of July 1, 2009, the State finances the Plan on a self-funded basis and administers benefit coverage under a Preferred Provider Option (PPO) arrangement. The Plan's receipts are derived through premium contributions, investment earnings and other receipts. Premiums for health benefit coverage are paid by (1) employing agencies for active employees, (2) the Retiree Health Benefit Fund for retired employees, and (3) employees and retirees who elect dependent coverage. Total *revised* requirements for the Plan are estimated to be $2.55 billion for FY 2009-10 and $2.74 billion for FY 2010-11. The Plan's PPO benefit design includes two alternative benefit levels listed below:

1) The "Basic" 70/30 plan that offers higher out-of pocket requirements in return for lower fully contributory dependent premiums; and

2) The "Standard" 80/20 plan.

The Basic and Standard plans offer coverage to employees and retired employees on a noncontributory basis. Coverage for dependents under both plans is offered on a fully contributory basis.

Financial Condition

Revised Financial Projection 2009-11 Biennium – The following summarizes a revised financial projection conducted by the Plan's consulting actuary, Aon Consulting, for the 2009-11biennium. The information is provided by fiscal year based on year-to-date financial experience (through March 2010) and other updated factors.

For the fiscal year beginning July 1, 2009, the Plan began its operations with a beginning cash balance of $189.9 million. Receipts for the year are projected to be $2.41 billion from net premium collections, $74.4 million from Medicare Part D subsidies, and $3.4 million from investment earnings for a total of approximately $2.49 billion in receipt income for the year. Projected disbursements from the Plan are expected to be $2.39 billion in net claim-payment expenses and $164.1 million in administration and claims-processing expenses for projected total expenses of nearly $2.55 billion for FY 2009-10. The Plan's net operating loss is projected to be approximately $66.3 million for the fiscal year, assuming a 9% annual claims growth trend and an annual premium increase of 8.9% effective July 1, 2009.

For the fiscal year beginning July 1, 2010, the Plan is projected to begin its operations with a beginning cash balance of $123.6 million. Receipts for the year are projected to be $2.68 billion from net premium collections, $56.1 million from Medicare Part D subsidies, and $2.7 million from investment earnings for a total of approximately $2.73 billion in receipt income for the year. Projected disbursements from the Plan are expected to be $2.55 billion in net claim-payment expenses and $191.7 million in administration and claims-processing expenses for projected total expenses of nearly $2.74 billion for FY 2010-11. The Plan's net operating loss is projected to be approximately $7.1 million for the fiscal year, assuming a 9% annual claims growth trend and an annual premium increase of 8.9% effective July 1, 2010.

Based on the revised financial projection (May 2010), the Plan's estimated ending cash balance on June 30, 2011 is projected to be $116.5 million. This amount is approximately $75.7 million less than the originally projected (April 2009) ending cash balance of $192.2 million.

Original Financial Projection 2009-11 Biennium (April 2009) – Session Law 2009-16 (Senate Bill 287) appropriated funds from various sources, authorized annual premium rate increases, made various benefit and provider related changes to achieve financial savings, and directed other various changes to the Plan. The enacted law also appropriated the sum of $250 million from the Savings Reserve Account ("Rainy Day Fund") of the General Fund for the 2008-09 fiscal year. The following summarizes the original financial projection by conducted by the Plan's consulting actuary, Aon Consulting, for the 2009-11 biennium. The following summarizes the original financial projection by fiscal year for the 2009-11 biennium and assumes the changes enacted in Session Law 2009-16 (Senate Bill 287).

For the fiscal year beginning July 1, 2009, the Plan was projected to begin its operations with a beginning cash balance of $146.9 million. Receipts for the year were projected to be $2.4 billion from net premium collections, $56.3 million from Medicare Part D subsidies, and $8.0 million from investment earnings for a total of approximately $2.5 billion in receipt income for the year. Projected disbursements from the Plan were expected to be $2.3 billion in net claim-payment expenses and $185.6 million in administration and claims-processing expenses for projected total expenses of nearly $2.5 billion for FY 2009-10. The Plan's net operating income was projected to be approximately $14.8 million for the fiscal year, assuming a 9% annual claims growth trend and an annual premium increase of 8.9% effective July 1, 2009.

For the fiscal year beginning July 1, 2010, the Plan was projected to begin its operations with a beginning cash balance of $161.6 million. Receipts for the year were projected to be $2.7 billion from net premium collections, $50.4 million from Medicare Part D subsidies, and $8.8 million from investment earnings for a total of approximately $2.7 billion in receipt income for the year. Projected disbursements from the Plan were expected to be $2.5 billion in net claim-payment expenses and $191.7 million in administration and claims-processing expenses for projected total expenses of nearly $2.7 billion for FY 2010-11. The Plan's net operating income was projected to be approximately $30.6 million for the fiscal year, assuming a 9% annual claims growth trend and an annual premium increase of 8.9% effective July 1, 2010.

Other Information

Historically, the Plan has applied a premium increase in October of the first fiscal year of a biennium. However, the annual premium increases authorized in Session Law 2009-16 (Senate Bill 287) changes that methodology to an annual increase at the beginning of each fiscal year of the 2009-11 biennium.

Additional assumptions include Medicare benefit "carve-outs," cost containment strategies including prior approval for certain medical services, utilization of the "Blue Options" provider network, case and disease management for selected medical conditions, mental health case management, coordination of benefits with

other payers, a prescription drug benefit manager with manufacturer rebates from formularies, and fraud detection, and other authorized actions by the Executive Administrator and Board of Trustees to manage the Plan to maintain and improve the Plan's operation and financial condition where possible. Claim cost trends are expected to increase at a rate of 9% annually according to the Plan's consulting actuary. Investment earnings are based upon a 4.5% return on available cash balances.

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Employees	-	5	5	0.0%
Dependents	-	3	3	0.0%
Sub-total	-	8	8	0.0%
Local Governments				
Employees	91	1,829	1,920	1.1%
Dependents	174	777	951	0.5%
Sub-total	265	2,606	2,871	1.6%
Total				
Employees	2,316	156,355	158,671	88.2%
Dependents	1,623	19,614	21,237	11.8%
Grand Total	**3,939**	**175,969**	**179,908**	**100%**
Percent of Total	**2.2%**	**97.8%**	**100.0%**	

II. Enrollment by Contract	Basic	Standard	Total
Employee Only	3,252	378,539	381,791
Employee Child(ren)	6,026	43,820	49,846
Employee Spouse	2,550	21,785	24,335
Employee Family	4,288	19,741	24,029
Total	**16,116**	**463,885**	**480,001**

Percent Enrollment by Contract	Basic	Standard	Total
Employee Only	20.2%	81.6%	79.5%
Employee Child(ren)	37.4%	9.4%	10.4%
Employee Spouse	15.8%	4.7%	5.1%
Employee Family	26.6%	4.3%	5.0%
Total	**100.0%**	**100.0%**	**100.0%**

III. Enrollment by Sex	Basic	Standard	Total
Female	22,479	390,209	412,688
Male	19,804	228,840	248,644
Total	**42,283**	**619,049**	**661,332**

Percent Enrollment by Sex	Basic	Standard	Total
Female	53.2%	63.0%	62.4%
Male	46.8%	37.0%	37.6%
Total	**100.0%**	**100.0%**	**100.0%**

IV. Enrollment by Age	Basic	Standard	Total
19 & Under	17,315	95,431	112,746
20 to 29	3,311	57,142	60,453
30 to 44	9,555	120,292	129,847
45 to 54	6,455	108,447	114,902
55 to 64	4,090	128,933	133,023
65 & Over	1,557	108,804	110,361
Total	**42,283**	**619,049**	**661,332**

Percent Enrollment by Age	Basic	Standard	Total
19 & Under	41.0%	15.4%	17.0%
20 to 29	7.8%	9.2%	9.1%
30 to 44	22.6%	19.4%	19.6%
45 to 54	15.3%	17.5%	17.4%
55 to 64	9.7%	20.8%	20.1%
65 & Over	3.7%	17.6%	16.7%
Total	**100.0%**	**100.0%**	**100.0%**

V. Retiree Enrollment by Category	Employee	Dependents	Total
Non-Medicare Eligible	51,747	11,879	63,626
Medicare Eligible	101,722	7,509	109,231
Total	**153,469**	**19,388**	**172,857**

III. Enrollment by Sex	Basic	Standard	Total
Female	-	-	-
Male	-	1	1
Total	**-**	**1**	**1**

VI. Enrollment By Major Employer Groups	Employees	Dependents	Total
State Agencies	75,367	34,645	110,012
UNC System	50,106	29,726	79,832
Local Public Schools	181,270	88,258	269,528
Local Community Colleges	14,623	7,524	22,147
Other			
Local Governments	1,920	951	2,871
COBRA	3,241	836	4,077
Nat. Guard, Fire & Rescue	5	3	8
Sub-total	5,166	1,790	6,956
Retirement System	153,469	19,388	172,857
Total	**480,001**	**181,331**	**661,332**

Percent Enrollment by Major Employer Groups	Employees	Dependents	Total
State Agencies	15.7%	19.1%	16.6%
UNC System	10.4%	16.4%	12.1%
Local Public Schools	37.8%	48.7%	40.8%
Local Community Colleges	3.0%	4.1%	3.3%
Other			
Local Governments	0.4%	0.5%	0.4%
COBRA	0.7%	0.5%	0.6%
Nat. Guard, Fire & Rescue	0.0%	0.0%	0.0%
Sub-total	1.1%	1.0%	1.1%
Retirement System	32.0%	10.7%	26.1%
Total	100.0%	100.0%	100.0%

SOURCES OF DATA:

-Actuarial Note, Hartman & Associates, House Bill 1707 (First Edition), "Proposed House Bill: An Act to Allow Already Enrolled Dependent Children to Remain in the Teachers and State Employees Until Age 26 and to Direct the Plan to Consult with the Committee on Hospital and Medical Benefits Before Implementing any Tobacco Testing Program", May 18, 2010, original of which is on file in the General Assembly's Fiscal Research Division.

-Actuarial Note, Aon Consulting, House Bill 1707 (First edition), 'House DRH80523-91 Age-Out Dependents; Tobacco Use Testing", May 14, 2010, original of which is on file with the State Health Plan for Teachers and State Employees and the General Assembly's Fiscal Research Division.

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Mark Trogdon

APPROVED BY: Marilyn Chism, Director
Fiscal Research Division

DATE: May 19, 2010

Official
Fiscal Research Division
Publication

Signed Copy Located in the NCGA Principal Clerk's Offices

NORTH CAROLINA STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES

HOUSE DRH80523-91

AGE-OUT DEPENDENTS; TOBACCO USE TESTING

Prepared by:

Aon Consulting
One Piedmont Center
3565 Piedmont Road, N.E.
Atlanta, Georgia 30305

May 2010

ACTUARIAL STATEMENT

The North Carolina State Health Plan for Teachers and State Employees has requested that Aon Consulting prepare an Actuarial Note in response to House DRH80523-91 entitled "AN ACT (1) TO ALLOW ALREADY ENROLLED DEPENDENT CHILDREN UNDER THE AGE OF TWENTY SIX WHO ARE NOT ELIGIBLE FOR EMPLOYER-BASED HEALTH CARE TO REMAIN ON THE NORTH CAROLINA STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES FOR PLAN YEAR 2010-2011 AND (2) TO DIRECT THE STATE HEALTH PLAN TO CONSULT WITH THE COMMITTEE ON HOSPITAL AND MEDICAL BENEFITS BEFORE IMPLEMENTING ANY TOBACCO USE TESTING PROGRAM."

The Actuarial Note was prepared according to generally accepted actuarial principles and practices, in compliance with General Statute 120-114. As required by statute, the Note includes an explanatory statement of the proposed change(s) and, to the extent possible, an estimate of the financial and actuarial effect of the proposed change(s) on the Plan. The Actuarial Note makes no comment or opinion with regard to the merits of the measure for which the Note is prepared; however, any identified technical or mechanical defects have been noted.

We have reviewed the input and results of our analysis for reasonableness, and relied upon the data and information provided by the Plan and their Claims Processing Contractor.

May 14, 2010

Kenneth C. Vieira, F.S.A., M.A.A.A.
Senior Vice President

Date

SHP/ Age-Out Dependents; Tobacco Use Testing

PLAN CHANGES

The General Assembly of North Carolina enacts:

SECTION 1. Notwithstanding the requirement in G.S. 135 45.2(d)(1) that a dependent child less than 26 years of age be a full-time student to be eligible for coverage, a dependent child enrolled in the North Carolina State Health Plan for Teachers and State Employees as of May 1, 2010, may remain on the Plan through the end of the month following the dependent child's 26th birthday, regardless of the dependent child's status as a full-time student, provided that the dependent child is not eligible for other employer sponsored health benefit coverage as a primary beneficiary or spousal dependent.

SECTION 2. The Executive Administrator of the State Health Plan for Teachers and State Employees shall consult with the Committee on Employee and Hospital Medical Benefits prior to implementing any program to verify tobacco usage by members of the Plan.

SECTION 3. Section 1 of this act is effective June 1, 2010, and is repealed effective July 1, 2011. The remainder of the act is effective when it becomes law.

PROJECTED COSTS

Plan Design Change	2009-2010 Fiscal Year Cost *	2010-2011 Fiscal Year Cost *	Total Biennium Cost *
SHP/ Age-Out Dependents; Tobacco Use Testing	$1.2 to $3.4 with a midpoint of $2.3 million.		

* Based on the most recent (May 2010) total projected expenses of $2,552,923,890 and $2,740,501,355 for the 2010 and 2011 fiscal years respectively.

PRICING APPROACH AND COMMENTS

The following information was compiled and utilized in determining the projected costs or savings of each benefit component addressed in this actuarial note:

- Numerous reports were received from the Claims Processing Contractor (CPC) to estimate the cost of this legislation. The first one showed the number of dependent terminations by ages ranging from 19 to 25. The report excluded situations where an employee terminated, and thus, dependents are no longer eligible. The report was done for each of the last three years.
- A second report from the CPC detailed the number of dependents by age and coverage level (employee and children vs. employee and family). The report was for three snapshot periods – June 2008, June 2009 and March 2010 (most recent).
- The third report detailed how many subscribers had their premium tier changed when the dependent lost their coverage. This was also summarized for each of the last three fiscal years.

- From the reports above we were able to estimate that 6,840 dependents would be terminated over the next fiscal year. Aon estimated the participation percentage by age, coming to an overall number ranging from 28% to 55% or 1,888 to 3,776. The percentages are assumed to incorporate the requirement that the dependent child is not eligible for other employer sponsored health benefit coverage as a primary beneficiary or spousal dependent.

- Information was pulled based on EinfoNow data. The costs were calculated to be $146 Per Member Per Month (PMPM) for the expected age distribution. This was used as the low end of the range with a high range utilizing a 14% selection factor, resulting in $167 PMPM.

- Combining the expected membership increase with the expected costs produced an increased expenditure of $3.3 million to $7.6 million. These expenditures would be offset by additional premiums of $2.1 million to $4.2 million. The net impact to the State Health Plan would be $1.2 million to $3.4 million.

- There is no financial impact from Section 2 that requires the Executive Administrator to consult with the Committee on Employee and Hospital Medical Benefits prior to implementing any program to verify tobacco usage by members of the Plan.

HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

MARK V. HARTMAN, FSA, MAAA, MCA, EA

hartman@triad.rr.com

ne: (336) 731-4038
ax: (336) 731-2583

668 Link Road
Lexington, NC 27295

May 18, 2010

Mr. Mark Trogdon
Fiscal Research Division
North Carolina General Assembly
300 N. Salisbury Street
Raleigh, NC 27603-5925

Re: Proposed House Bill: An Act to Allow Already Enrolled Dependent Children to Remain in the State Health Plan for Teachers and State Employees Until Age 26 And to Direct the Plan to Consult With the Committee on Hospital and Medical Benefits Before Implementing Any Tobacco Testing Program

Dear Mr. Trogdon:

Section 1 of this bill provides that, notwithstanding the requirement under G.S. 135-56.2(d)(1) that a dependent child under age 26 be a full-time student to be eligible for coverage under the North Carolina State Health Plan for Teachers and State Employees, a dependent child enrolled in the Plan as of May 1, 2010 may remain on the Plan through the end of the month following the child's 26th birthday. The bill provides that the extended coverage is not available if the dependent child is eligible for other employer sponsored health benefit coverage as a primary beneficiary or spousal dependent.

Section 2 of the bill requires the Executive Administrator of the Plan to consult with the Committee on Hospital and Medical Benefits prior to implementing any program to verify tobacco usage by members of the Plan. Section 1 of this act is effective June 1, 2010 and is repealed effective July 1, 2011. The remainder of the act is effective when it becomes law.

The elimination of the full-time student requirement for dependent child coverage will allow for these members to extend coverage under the Plan. This will produce addition benefit payments by the Plan, offset by additional premiums paid by members for dependent coverage. The financial impact on the Plan will depend on a number of factors, including the following:

- The number of dependent children who would otherwise lose eligibility.
- The number who elect to continue coverage under the Plan.
- The number who are ineligible due to other employer coverage.
- The coverage tier (Family or Employee/Child) under which the dependent is covered.
- The existence of other children covered under the same contract, in which cases no additional premium will be payable.
- The length of time the coverage will be extended.

Due to the potential variance in these factors, I have estimated a range of costs to the Plan. For the fiscal year beginning July 1, 2010, the estimated cost is $2.1 million to $3.6 million.

The costs estimates are based on my analysis of data provided by the Plan regarding the loss of eligibility status for dependents age 19 through 25 over the past three fiscal years. This data indicates the number of dependents potentially affected by this bill is 7,000 to 9,000. The data also indicates that approximately 40% of contracts change coverage tier when coverage for a dependent child terminates, reflecting the fact that other children may be covered under the same contract.

Dependent claim costs are based on data for fiscal year 2009 and fiscal year 2010 through March. Projected costs include a two-week claim payment lag for prescription drugs and a 45-day lag for medical services. An average risk factor of 10% was included to cover potential selection against the Plan. I have not included any provision for additional administrative costs, and the Plan has indicated that these costs are expected to be minimal. A summary of the cost range is included in Attachment #1.

If you have any questions, let me know.

Sincerely,

Mark Hartman

Mark V. Hartman, FSA, MAAA, FCA, EA
Consulting Actuary

MVH/mt

Attachment #1

NC State Health Plan – Projected Cost Extending Dependent Coverage to Age 26		
Item	Low Estimate	High Estimate
Members Covered	3,750	6,750
Portion of Year Covered	60%	85%
Selection Factor	20%	0%
Premium Income	$2,041,852	$5,206,722
Benefits	$4,145,852	$8,809,935
Net Gain/(Loss)	($2,104,000)	($3,603,213)

ATTACHMENT 4

2009 PERMANENT SUBCOMMITTEE REPORT
HOUSE OF REPRESENTATIVES

FOR RECOMMENDING BILLS TO STANDING COMMITTEE OR TO THE FLOOR OF THE HOUSE
The following report(s) from permanent sub committee(s) is/are presented:

By Representative(s) Earle, England, Insko (Chairs) for the Appropriations Subcommittee on Health and Human Services.

☐Committee Substitute for
HB 1707 A BILL TO BE ENTITLED AN ACT (1) TO ALLOW ALREADY ENROLLED DEPENDENT CHILDREN UNDER THE AGE OF TWENTY-SIX WHO ARE NOT ELIGIBLE FOR EMPLOYER-BASED HEALTH CARE TO REMAIN ON THE NORTH CAROLINA STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES FOR PLAN YEAR 2010-2011 AND (2) TO DIRECT THE STATE HEALTH PLAN TO CONSULT WITH THE COMMITTEE ON HOSPITAL AND MEDICAL BENEFITS BEFORE IMPLEMENTING ANY TOBACCO USE TESTING PROGRAM.

WITH APPROVAL OF STANDING COMMITTEE CHAIR(S) FOR REPORT TO BE MADE DIRECTLY TO THE FLOOR OF THE HOUSE:

Representative Michaux, Adams, Alexander, Crawford, Haire, Jeffus, Tolson, Yongue (Chairs) for the Standing Committee on Appropriations.

s/ _____
s/ _____
s/ _____

☒With a favorable report.

(FOR JOURNAL USE ONLY)

_____ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on _____.

_____ Pursuant to Rule 36(b), the bill/resolution is placed on the Calendar of _____.

MINUTES

HEALTH AND HUMAN SERVICES
APPROPRIATIONS SUBCOMMITTEE

Wednesday MAY 26, 2010
1:00 p.m.
ROOM 643 LEGISLATIVE OFFICE BUILDING

The Joint Appropriations Subcommittee on Health and Human Services met Wednesday May 26, 2010 at 1:00 pm in Room 643 of the Legislative Office Building. Representative Verla Insko presided. Rep. Insko called the meeting to order and welcomed all members and staff. A copy of the agenda, attendance, and visitor registration is attached to these minutes, (Attachment 1, 2, and 3).

Rep. Insko recognized Staff members of the Fiscal Research Division of the North Carolina General Assembly, to present to the Committee the Draft Money Report (Attachment 4) and a document titled DHHS: Governor and Senate Budget Items not in House Proposal (Attachment 5). Rep. Insko then recognized committee members for questions of staff.

Following these discussions, the meeting was adjourned at 1:45 p.m. A copy of all presentations is attached to these minutes.

Representative Verla Insko
Chair

Gina Insko
Committee Assistant

Attachments

1. Agenda
2. Attendance
3. Visitor Registration
4. Draft Money Report
5. DHHS: Governor and Senate Budget Items not in House Proposal

Rep. Beverly Earle
Rep. Verla Insko
Rep. Bob England
Rep. Jeffrey Barnhart
Rep. Jean Farmer-Butterfield
Rep. William Brisson
Rep. Justin Burr
Rep. Pearl Burris-Floyd
Rep. Nelson Dollar
Rep. Wil Neumann
Rep. Randy Stewart

HOUSE APPROPRIATIONS SUBCOMMITTEE FOR HEALTH AND HUMAN SERVICES

AGENDA

May 26, 2010; 1:00
Room 643, LOB

Chairs

Representative Beverly Earle
Representative Verla Insko
Representative Bob England

Draft Budget Proposal	**FRD Staff**

ATTENDANCE

APPROPRIATIONS SUBCOMMITTEE ON HEALTH AND HUMAN SERVICES

(Name of Committee)

DATES	5-25-10	5-25-10	5-26-10	7-6-10											
REP. VERLA INSKO - CHAIR		X	X	X											
REP. BEVERLY EARLE - CHAIR	X		X												
REP. BOB ENGLAND - CHAIR	X	X	X	X											
REP. JEFF BARNHART VICE-CHAIR			X												
REP. JEAN FARMER-BUTTERFIELD VICE-CHAIR	X	X	X	X											
REP. WILLIAM BRISSON	X		X												
REP. JUSTIN BURR	X	X	X												
REP. PEARL BURRIS-FLOYD	X		X	X											
REP. NELSON DOLLAR	X		X	X											
REP. WIL NEUMANN		X	X	X											
REP. RANDY STEWART	X	X	X	X											
Sen. William Purcell															
Sen. Doug Berger															
Sen. Martin Nesbitt															
Sen. Charles Dannelly															
Sen. Blake Harris															
Sen. Debbie Clary															
Sen. James Forrester															
STAFF															
Melanie Bush	X	X	X	X											
Lee Dixon	X	X	X	X											
Lisa Hollowell	X	X	X	X											
Bryce Bell	X	X	X	X											

HOUSE PAGES

NAME OF COMMITTEE Approp- Health & Human Services DATE 5/26/10

1. Name: ERIN DORAN
   County: FORSYTH
   Sponsor: BROWN
2. Name: Sedrick Bell
   County: Richmond County
   Sponsor: Hackney
3. Name: Arlene Piña
   County: Moore / Hoke
   Sponsor: Hackney
4. Name: _____
   County: _____
   Sponsor: _____
5. Name: _____
   County: _____
   Sponsor: _____

SGT-AT-ARM

1. Name: Young Bae
2. Name: Earl Cotton
3. Name: Don McLennon
4. Name: Bob Rossi

VISITOR REGISTRATION SHEET

HEALTH AND HUMAN SERVICES — May 26, 2010

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Deona Hooper	NASW intern
Karen Kincaid Dunn	Club Nova
Jeffrey Ruffin	Club NOVA
Mary Slade	CLUB NOVA
Rudy Groom	ENCSD - Wilson NC
Betsy Vetter	American Heart Assn
Jon Carr	Jordan Price Law Firm
[illegible]	APPCNC
[illegible]	AHHC
[illegible]	AHHC
[illegible]	NCAE

VISITOR REGISTRATION SHEET

HEALTH AND HUMAN SERVICES — May 26, 2010

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
TRACY GLUARD	ASWC
Rebecca Trank	NCACC
John McMillan	NAS
[illegible] Thompson	Covenant with NC's Children
Elizabeth Ireland	Covenant w/ NC's children
Steve Jackson	NC Budget & Tax Ctr
Lavisa Fisher	Volunteer Advocate for the Mentally Ill
Bo Heath	MWC
Harry Kaplan	MWC
JACK REGISTER	Nat. Assoc of Social Workers-NC Chap.
Tiffany Christensen	NASW

VISITOR REGISTRATION SHEET

HEALTH AND HUMAN SERVICES — May 26, 2010

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Paula A. Wolf	Friends of Residents in Long Term Care
Mary Bethel	NAAP-NC
Louisa Warren	NC Justice Ctr
LORI ANN HARRIS	LATA
John Hardin	MFTS
Michelle Frazier	MFTS
Chuck [illegible]	SEANC
Sarah Bradshaw	NCADSS/Sampson Co. DSS

VISITOR REGISTRATION SHEET

Health and Human Services

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Kim McLeod	CFSA-NC
Renee McGee	DHHS
Joyce Petrus	DPI Asst.
John Perry	Wake AHEC
Susan Montague	Wake AHEC
Kelsey Umstead	WakeMed
Christine Crews	WakeMed
Don Warthy	Lilly
Jeff Mann	GPM Inc.
Holly Riddle	NC Council on DD

VISITOR REGISTRATION SHEET

Health and Human Services
Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
[signature]	NCAHHS
John Bowdich	AstraZeneca
BRIAN SHANK	ASTRAZENECA
Steve Mitchell	Astellas
Jani Kozlowski	Division of Child Dev.
Andy Ellen	NCHCA
Mike Jones	ACP
Jim Harrell	Harrell and Assoc.
Wendy Kelly	Policy Group
Emily Williams	Policy Group
Elizabeth Hudgins	CFTF

VISITOR REGISTRATION SHEET

Health and Human Services
Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Tom Meece	Meece Consulting Willow Spring, NC
Dick Colton	alls
Lou Nelson	NCAHTCF
Fred Bone	Bone & Assoc.
Lee-Ann Payne	DCE
Gardner Payne	NWC
Stephanie Faught	Smart Start
Roz Savitt	NC Child Care Coalition
Bill Rowe	NC Justice Center
Joni Allen	BEGINNINGS
Jim Hunt	Food Bank

VISITOR REGISTRATION SHEET

HEALTH AND HUMAN SERVICES — May 26, 2010

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Amy Whited	NC Med Society
Elizabeth Robinson	NCRMA
Rob Lamm	RLA
David Barnes	Pogner Spruce
Will Silver	Triangle Orthopaedic
[illegible]	[illegible]
Peggy Baker	The Sagamore Group
Dana Simpson	Smith Anderson
Julia Adams	The Arc of NC
Bob Heldrich	NC PC
Chip Bigsby	ARCNC
Phebe Potts	NCOTA & NCOS

VISITOR REGISTRATION SHEET

HEALTH AND HUMAN SERVICES — May 26, 2010

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Anna Marshall Gauss	Capstrat
Erica Nelson	NC Council Community MH/DD/SAS programs
Andrew Meeker	Capstrat
Joe Lanier	Nelson Mullins
Maeve Goff	Smith Anderson
Amy McConkey	NC Beverage Assoc
Kristi Huff	NCHCFA
Beth Kincaid	John Locke Fandation
Annaliese Dolph	DRNC
BJ Miller	Moses Cone
TARA FIELDS	CFSA-NC

House Appropriations Subcommittee on Health and Human Services

Draft
Money Report
May 26, 2010

MAY 25 2010
3 30 PM

House Subcommittee on Health and Human Services

Health and Human Services

GENERAL FUND

Total Budget Approved 2009 Session

FY 10-11
$4,321,028,842

Budget Changes

(1.0) Division of Child Development

S **1 Equipment, Travel and Supplies** ($261,518) R

Reduces the funding within the operations budget. This reduction holds the Division to its FY2009-10 spending level for operations.

S **2 Vacant Positions** ($72,737) R

Eliminates two vacant positions within the Division of Child Development. The positions to be eliminated are Administrative Assistant I budgeted at $31,564 and an Administrative Officer III budgeted at $41,173. These positions have been vacant longer than six months. -2.00

S= ($24,756,300) NR

~~1~~ **3 Child Care Subsidy**

Replaces State funding for child care subsidy with Temporary Assistance for Needy Families Block Grant (TANF) funds for FY2010-11. ($23,625,329) NR

GS **4 Electronic Payment System** ($6,000,000) R

Reduces funds available within the Division of Child Development in anticipation of saving money related to better management and tracking of child care subsidy expenditures. The new system will reduce expenditures associated with fraudulent and inaccurate payments.

S **5 Health Initiatives** ($5,000,000) R

Reduces funding for the Smart Start Health Initiatives, currently funded at approximately ~~$8~~ $10 million annually. Remaining Health Initiatives funding will be used to leverage federal funds to pay for health-related activities funded through Smart Start.

(2.0) Division of Mental Health, Developmental Disabilities, and Substance Abuse Services

S

6 Vacant Position ($84,864) R

Reduces funding for a vacant position within the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services. This position is a Mental Health Program Administrator II and has been vacant for one year. This position is budgeted at $84,864 and the work location is Raleigh. -1.00

GS

7 Convert Whitaker School to a PRTF ($1,938,465) R

Reduces State funds for the Whitaker School; the program will become a Psychiatric Residential Treatment Facility in which services are Medicaid reimbursable.

(3.0) Division of Central Management and Support

GS

8 Key Program

Reduces funding available for Key Program rental subsidies. The Key Program provides rental assistance for disabled persons in targeted Low-Income Housing Tax Credit (LIHTC) units. Approximately 187 rental units will not be completed during FY 2010-11, thereby reducing projected requirements for subsidies. ($561,000) NR

GS

9 Information Technology Services ($937,161) R

Reduces recurring funding within the Division of Information Resource Management for ITS telecommunication data services ($300,564), computer/data processing ($286,597), and ITS managed local area network services ($350,000). Transitioned CSE programs, effective July 1, 2010, will assume responsibility for ITS charges for telecommunications services. Remaining reductions reflect ITS rate reductions and decreased mainframe use as new applications come online.

GS

10 Over-Realized Receipts ($1,362,201) R

Reduces funding with the Controller's Office. This reduction will be offset by budgeting additional receipts regularly received but not currently budgeted.

GS

11 CARE-LINE ($257,004) R

Reduces the hours of operation for the Department of Health and Human Services CARE LINE to regular business hours, and transfers after-hour calls to the Martin County Call Center. Approximately 20% of calls are presently received after regular business hours. -4.00

		FY 10-11	
	12 **Equipment, Travel and Supplies** Reduces funding for equipment, travel, and supplies within the Division of Central Management and Support. This reduction was also taken on a non-recurring basis during FY 2009-10 to meet the projected revenue shortfall.	($263,581)	R
	13 **Pesticide Task Force** Eliminates funding for the Pesticide Task Force activities. These activities are paid for through the federal NC Farmworker health grant.	($39,430)	R
	14 **Community Care of NC Grants** Eliminates State appropriation for demonstration grants--obesity, stroke prevention, and emergency room diversion--to test alternative methods to managing the utilization of health care services. demonstration projects within the CCNC program.	($183,833)	R
	15 **Rural Health Loan Repayment Program** Reduces funding for the Rural Health Loan Repayment Program. This reduction amount represents three contracts for health providers.	($190,749)	R
	(4.0) Division of Public Health		
	16 **Minority Health Interpreter Services** Reduces state appropriations for local health department service contracts that meet the language needs of clients.	($11,000)	R
	17 **Community Focused Eliminating Health Disparities Contracts** Reduce State appropriations for state and local health department contracts by less than 3 percent.	($85,895)	R
	18 **Division of Public Health Contracts** Reduces State appropriations remaining in two contracts-Perinatal Outreach and Family Health Resource Line-that have been eliminated.	($400,601)	R

S = ($650,000)

SM **19 Accreditation of Local Health Programs** ($325,000) NR

Allows the Division of Public Health to complete the evaluation and accreditation of Local Health Departments (LHDs) previously begun. Centers for Communicable Disease and Prevention is scheduled to launch a nationwide effort to accredit local health departments to national standards in 2011.

S **20 Medicaid Funding for WIC Metabolic Foods** ($283,477) R

Replace State appropriations with Medicaid funding for Medicaid-eligible children requiring a diet of metabolic foods.

S **21 Operations Reduction** ($443,530) R

Reduces State appropriations for equipment, travel, and supplies at Division offices.

G = ($6,400,000)

MS **22 Immunization Changes** ($15,894,853) R

Eliminates State appropriation for the purchase of vaccines, for which health care providers, including local health departments, can be billing health insurers for reimbursement. North Carolina Health Insurers reimburse for the full series of standard immunizations recommended by Centers for Disease Control and Prevention (CDC) and the American Academy of Family Physicians; and required by the North Carolina Immunization Program.

S **23 Children's Development Services Agency** ($2,600,000) R

Offsets General funds with overrealized receipts from Medicaid. This program has been increasing its third party collections.

(5.0) NC Health Choice

S **24 Optical Supplies** ($114,550) R

Directs the Health Choice Program to contract with Department of Correction for optical supplies.

(6.0) Division of Medical Assistance

G = S = ($45,000,000)

25 CCNC Savings ($35,000,000) R

Provides savings in overall Medicaid expenditures through the expanded efforts of the Community Care Network of North Carolina (CCNC). DHHS contracts with CCNC to manage utilization of Medicaid services. Savings will be generated by expanding CCNC's care management programs in hospital discharge, mental health; palliative care, and pharmacy. The improved Informatics system will enhance data integration, analytics, and reporting, increasing performance and cost savings.

26 Maternal Outreach Workers (MOW) ($292,974) R

Transitions pregnant women receiving services through Local Health Departments from Maternal Outreach Workers (MOW) to services provided by Maternal Care Coordinators (MCC) and Children Services Coordinators (CSC). MCC and CSC personnel are required to have a Bachelor's Degree.

27 Pharmacy Program Improvements ($5,566,096) R

Generates savings by implementing various pharmacy program improvements, including collecting drug rebates on certain prescription drug claims ($3.6 million); stopping reimbursement for lost prescriptions ($252,000); requiring prior approval on brand drugs when 'medically necessary' is written on the prescription ($938,700); creating a specialty drug network for dispensers of certain high cost drugs ($316,040); requiring prior approval on all requests for the drug Synagis ($376,253); and eliminating the ineffective FORM pharmacy program ($83,103).

28 Prescription Vitamins ($777,138) R

Eliminates Medicaid coverage of prescriptions for vitamins and minerals that are available over-the counter, while continuing to reimburse for multi-vitamin prescriptions for pregnant women.

29 Narcotic Prescriptions ($603,000) R

Reduces General Fund appropriations for Medicaid pharmacy by locking Medicaid enrollees with a narcotic prescription (e.g. Vicodin, Benzodiazipine) into a single pharmacy and single doctor to prevent pharmacy and doctor shopping and narcotics abuse.

G = ($9,500,00)

30 Mental Health Drug Savings ($10,000,000) R

Generates savings by adding mental health drugs to the Preferred Drug List (PDL), which were previously not part of the PDL savings, and also requires prior authorization but only for off-label prescribing of mental health drugs.

S 31 **Capitated Behavior Health Pilot Programs** ($1,560,600)

Expands the capitated behavioral health pilot program to two additional local management entities (LMEs), effective January 1, 2011. Effort is based on the Piedmont Behavioral Health pilot.

S 32 **Prior Authorization for Children's Outpatient Mental Health Services** ($933,547) R

Establishes Prior Authorization for Children's Outpatient Mental Health Services at 16 visits versus the current 26 visits.

G = ($21,000,000)

MS 33 **Independent Assessments on Mental Health Services** ($7,730,207) R

Implements independent assessments on various mental health services in the Medicaid program. Prior to the service being delivered, an independent assessment will be conducted to ensure the proper utilization of services.

S 34 **Enhanced Mental Health Changes** ($41,000,000) R

Modifies the community support team (CST) service for adults to limit the number of hours from 18 per week to 5, and reduces the rate from $15.60 per unit to $11.80 per unit. Savings also reflect a delay in the implementation of the Peer Support program by six months, effective January 1, 2011.

MS M 35 **In-Home Personal Care Services** ($40,272,491) R

Reduces General Fund appropriations to reflect the continued use of independent assessments for In-Home Personal Care services.

G, S = ($59,805,207)

S 36 **Dental Program Improvements** ($16,982) R

Generates savings by implementing policy improvements in the dental program for children, including implementing limits on imaging for children under the age of 6 years of age; limiting three film radiographs to children aged 13 and older; and limiting the reimbursement for primary teeth composites.

S 37 **Health Insurance Premium Payment Program (HIPP)** ($3,000,000) R

Expands the HIPP Program, in which Medicaid pays for employer-based health insurance costs on behalf of Medicaid-eligible individuals when it is less expensive than Medicaid coverage.

		FY 10-11	
GS	**38 Reimbursement of 'Never Events'** Eliminates Medicaid reimbursement of 'never events' in hospital inpatient settings. 'Never events' are certain types of medical issues that develop or are acquired while a person is in a hospital, but should have been prevented. The policy change brings Medicaid in line with Medicare reimbursement.	($5,000,000)	R
GS	**39 Coverage of Certain Types of Surgery** Eliminates coverage of certain types of surgery, including breast reduction and mastoplexy (breast lift) surgery ($23,420); panniculectomy surgery ($12,328); and surgery for severe obesity ($89,400).	($125,148)	R
GS	**40 Medical Assistance Co-Payments** Increases current copayment amounts to a maximum of $3.40, and expands collection of copayments to local health departments and outpatient behavioral health services. In addition, implements a $6.80 copayment for nonemergency hospital emergency room (ER) visits.	($4,530,404)	R
GS	**41 Program Integrity Savings** Generates savings through new Program Integrity initiatives, including Medicaid SWAT teams for on-site investigations, strengthening Medicaid fraud laws, innovative technology to detect fraud and abuse, and prepayment reviews for questionable providers.	($36,188,013)	R
GS	**42 Attorney General's Office (AGO) Medicaid Investigative Unit Staff Savings** Generates savings by doubling the Medicaid Investigative Unit staff at the AGO to expand the prosecution of Medicaid fraud and abuse. Additional staff will ensure increased prosecution and additional Medicaid funds recovered from fraudulent providers.	($1,000,000)	R
GS	**43 Contract Reductions** Reduces payment for duplicative or unnecessary administrative functions performed under the Medicaid contract with HP, including eliminating the processing of duplicative claims and processing prior approval (PA) on claims that do not require PA.	($180,250)	R

1 M S H 44 ARRA Federal Enhanced Matching Funds Extension ($486,959,871) NR

Reduces General Fund appropriations anticipating that Congress will pass a law extending by six months the enhanced federal matching funds provided under the American Recovery and Reinvestment Act (ARRA) through June 2011.

G ($499,000,000) S=($482,111,583)

1 S 45 ARRA Medicare Part D Clawback Savings ($79,419,834) NR

Reduces General Fund appropriations based on savings from enhanced federal matching funds provided by the American Recovery and Reinvestment Act (ARRA). The enhanced federal funds offset State funding for Medicaid paid to cover a portion of prescription drug costs paid by Medicare Part D for dually-eligible (Medicaid/Medicare) individuals. Savings also anticipate that Congress will pass legislation extending the enhanced rate for six months, through June 2011.

GS 46 Medicaid Rebase $430,564,713 R

Increases General Fund appropriations to the FY 2010-11 Medicaid budget to account for 5.6% growth in eligibles above current levels ($5,054,765); consumption ($121,867,913); inflation for cost-settled providers ($5,568,149); new services and mix of services ($16,094,752); anticipated cost of flu ($7,985,000); reductions not achieved in the previous fiscal year ($225,537,633); and increased appropriations due to the change in the Federal Medical Assistance Percentage (FMAP) ($48,456,502).

(7.0) Division of Health Service Regulation

1 S 47 Fee for Adult Care Home Medication Aide Testing ($110,575) R

Establishes a $25 fee for the testing and materials provided to adult care home medication aides to help defray the costs of administering the tests.

1 S 48 Home Base Licensure and Certification Staff/Lexington Office ($92,038) R

$22,797 NR

-2.00

Closes Lexington office and home-bases licensure and certification staff, eliminating operating costs and two administrative positions.

1 S 49 Medicaid Funding for Home Care Licensure and Certification ($104,739) R

Generates savings by collecting federal Medicaid receipts to support licensure and certification activities for home care agencies. Since home care agencies are Medicaid providers, this will allow DHSR to collect federal Medicaid receipts.

GS 50 **Fees for Adult Care Home Administrator Testing and Certificates** ($35,240) R

Establishes a $50 adult care home administrator test fee and a $30 adult care home administrator certificate renewal fee. Certificate renewals occur every two years.

GS 51 **Nursing Home Licensure and Certification Funds**

Replaces General Fund appropriations with federal receipts in the Nursing Home Licensure and Certification Section on a nonrecurring basis. The receipts come from civil monetary penalties assessed against nursing homes. ($1,741,551) NR

(8.0) Division of Social Services

HSM 52 **Equipment, Travel, and Supplies** ($120,000) R

Reduces funding for equipment, travel, and supplies within the Division of Social Services.

S = (492,000)
G = (120,000)

GS 53 **Adult Care Home Case Management** ($150,000) R

Reduces over-budgeted funds for adult care home case management services, per historical reversions.

GS 54 **Economic Services Contract** ($192,166) R

Eliminates funding for contracted installation and support for Supplemental Nutrition Assistance Program (SNAP) Electronic Benefit Transfer (EBT) infrastructure at Farmers Markets. Federal funds are available to support this initiative, and there has been limited vendor activity to date.

GS 55 **Child Support Enforcement Consolidation** ($1,282,777) R

Streamlines functions within the Child Support Section and reduces operating funds to coincide with the elimination of sixteen State-operated Child Support Enforcement offices. Effective July 1, 2010, S.L. 2009-451 transitions financial and administrative responsibilities for local child support enforcement to twenty-eight counties presently served by the State offices. Under this proposal, approximately twenty filled and thirteen vacant positions within the central Child Support Section are eliminated. -33.00

FY 10-11

1 MS **56 NC REACH Post-Secondary Scholarship Program** ($160,507)

Reduces funding for NC REACH scholarships per projected growth in awards during FY 2010-11. This non-recurring reduction leaves $1,584,125 available to support scholarships in FY 2010-11. In addition, funding for contractual case management services is reduced commensurate with actual FY 2009-10 obligations. ($1,584,125) NR

G = (500,000)

1S **57 Child Welfare Contracts** ($1,238,821) R

Eliminates funding for 1) Multiple Response ($229,086) and Adoption Programs ($459,156); 2) Grants-in-Aid ($413,044) for child placement services; and 3) Methamphetamine Training ($137,535). This reduction eliminates funding for non-mandated services, conferences, and trainings. Additionally, because placement agencies receive standardized rates for children in foster care (standardization effective January 2009), supplementary grants-in-aid are no longer necessary. Lastly, prior Methamphetamine training and support to all county DSS' have led to the creation of community protocols, reducing the need for ongoing training.

S **58 Electing Counties' Work First State Funds** ($2,378,213) R

Replaces funding for Electing Counties' Work First programs with Temporary Assistance for Needy Families (TANF) funds. This reduction does not reduce budgeted funds for Electing Counties' Work First County Block Grants or Work First Family Assistance.

1 MS **59 State-County Special Assistance** ($3,388,044) R

Reduces funding in accordance with projected FY 2010-11 assistance levels. Counties' requirements are likewise reduced, due to equal financial participation for State-County Special Assistance. Projected savings are the result of the Special Assistance rate reduction that took effect October 1, 2009.

G = (3,325,000)

1 MS **60 FMAP Extension - Foster Care & Adoption Assistance**

Reduces funding for foster care and adoption assistance payments per extension of the ARRA enhanced federal financial participation (FMAP) rate - base 6.2 percentage point increase from January 2011 through June 2011. ($1,421,552) NR

G = (1,462,537)

S **61 Over-Realized Receipts**

Budgets prior year earned revenue on a non-recurring basis to offset an equivalent reduction in General Fund appropriations. ($450,000) NR

(9.0) Office of Education Services

S

62 Position Eliminations ($2,127,065) R

Eliminates positions within the Office of Education Services.

-50.00

S

63 Food Service Staffing ($282,991) R

Eliminates ten filled food service staff positions within the residential schools for the blind and deaf. The Department of Public Instruction's Child Nutrition Section, using USDA standards, audited the three residential schools' food service operations and determined that food service operations were over-staffed. Under USDA standards, meals per labor hour should average between 15 and 20. Present ratios at the residential schools are approximately 1.7 meals per labor hour.

-10.00

S

64 Temporary Staffing ($58,500) R

Reduces funding for temporary wages within the Office of Education Services.

S

65 Beginnings, Inc. Contract ($46,459) R

Reduces funding for training of early intervention and public school professionals. This is a 4.8% reduction in total funding for contractual services provided by Beginnings, Inc, leaving $919,730 in recurring funding.

SM

66 Residential School Administrative Staffing ($370,506) R

Merges responsibilities of the residential school directors and school principals at the residential schools for the deaf and blind, and reduces the number of assistant principals to one per school.

-4.00

Eliminates one vacant and one filled position within the North Carolina School for the Deaf:
School Principal, #60039101 - $101,516
School Assistant Principal, #60039082 - $88,786

S = (605,386)

-7.00

Eliminates one filled positions within the Eastern North Carolina School for the Deaf:
School Principal, #60039225 - $108,565

Eliminates one vacant position within the Governor Morehead School for the Blind:
School Principal, #60039380 - $71,639

(11.0) Divisions of Services for the Blind and Services for the Deaf and Hard of Hearing

S

67 Special Assistance for the Blind Consolidation ($287,807) R

Merges the Special Assistance for the Blind sub-program presently administered by the Division of Services for the Blind with the State-County Special Assistance program within the Division of Aging and Adult Services. -1.00

H S

68 Over-Realized Receipts ($176,256) R

($150,428) NR

Budgets receipts within the Division of Services for the Blind as follows: 1) Social Security Administration receipts ($150,428) per successful vocational rehabilitation client employment outcomes on a non-recurring basis; and 2) Other vending receipts ($155,829) for independent living services.

G = (175,829) R

(150,428) NR

In addition, $20,417 in Telecommunications Relay Trust Fund receipts are budgeted within the Division of Services for the Deaf and Hard of Hearing for general administration. These additional receipts were identified during FY 2009-10 through updates to DHHS cost allocation plans.

These cumulative receipts offset equivalent reductions in General Fund appropriations.

S

69 Position Eliminations ($93,421) R

Eliminates positions within the Divisions of Services for the Blind, Deaf and Hard of Hearing. -2.00

(12.0) Division of Vocational Rehabilitation

H S

70 Position Eliminations ($516,798) R

Eliminates positions within the Division of Vocational Rehabilitation Services. -8.00

* Governor's Item eliminates Recreational Therapist positions *

H S M

71 Aid & Public Assistance - Vocational Rehabilitation Basic Support

Reduces funding for vocational rehabilitation (VR) services. This reduction reflects projected match requirements for the VR Basic Support Grant, and leaves $24,254,076 in appropriations for case services. DHHS implemented a non-recurring reduction of $5,513,648 during FY 2009-10 to manage the projected revenue shortfall. DVRS will budget federal funds matched in prior years to partially offset this non-recurring reduction in FY 2010-11 appropriations.

($1,288,915) NR

S = (2,585,674)

G = (2,000,000)

Budget Changes	**$187,149,491**	**R**
	($597,504,808)	**NR**
Total Position Changes	-117.00	
Revised Total Budget	**$3,910,673,525**	

ATTACHMENT 5

DHHS: Governor and Senate Budget Items not in House Proposal

		Expansion\Reduction Item	Proposed Expansion\Reductions Approps (R)	Approps (NR)	FTE
Central Management and Support					
		Reductions			
	G	**Reduce Community Health Grants** Community Health Grants are recommended for reduction. Grant funds totaling $700,000 were not distributed in SFY 2010 due to the revenue shortfall. Funding has varied from year to year. This reduction option would mean that centers entering their third (and final) year of programmatic support will have to compete for new funding rather than be assured of the third year of funding.	($1,050,775)	$0	-
	S	**Position Eliminations** Eliminates positions within the Division of Central Management.	($1,228,875)	$0	(20.00)
		Expansion			
	G/S	**Grant in Aid to the Special Olympics** A grant-in-aid is recommended for North Carolina Special Olympics.	$0	$100,000	-
Division of Aging and Adult Services					
		Reductions			
		None			
		Expansion			
	G	**Senior Services - Project Care** Project C.A.R.E. is a nationally recognized respite care program for caregivers of people with dementia. The program targets rural, elderly, and minority families and is a cost effective alternative to institutional care. These funds will expand the program to approximately 20 counties and provide consultation, referral, and respite care for more than 500 additional families.	$1,000,000	$0	-
Division of Child Development					
		Reductions			
	G	**Local Departments of Social Services' Administrative Reduction** Reduces administrative allowance from 5% to 4%	($3,277,519)	$0	-
	G/S	**Smart Start** Reduces funding for the North Carolina Partnership for Children, Inc. This is a 5.2% reduction and the remaining funding totals $183 million.	G ($7,732,319) S ($10,000,000)		-
		Expansion			
		None			

DHHS: Governor and Senate Budget Items not in House Proposal

		Expansion\Reduction Item	Proposed Expansion\Reduction Approps (R)	Proposed Expansion\Reduction Approps (NR)	Proposed Expansion\Reduction FTE
Office of Education Services					
		Reductions			
	G	**Suspend On-Site Summer School Programs** As a cost saving measure, the department has suspended on-site summer school programs. Programs continue to be provided to children at central locations near their homes and through distance technology. It is recommended that on-site summer school be suspended for SFY 2011.	$0	($280,000)	-
	G	**Reduce Residential Services from Five to Four Nights** Historically, residential services have been offered five nights, Sunday through Thursday. As a cost savings measure, the department eliminated Sunday night, bringing students to campuses Monday morning. It is recommended that the cost saving measure be adopted on a permanent basis.	($619,558)	$0	
	S	**Office of Education Services** Eliminates the Office of Education Services Central Office, Resource Support, Governor Morehead School Outreach, Deaf/Blind, and Exceptional Children Support programs. The oversight of the NC School for the Deaf, Eastern NC School for the Deaf, Governor Morehead School for the Blind, Governor Morehead Preschool, Early Intervention Services - Preschool, and Family Resource Center programs is transferred to the Department of Public Instruction, Exceptional Children Division by Type I transfer.	($2,492,279)	$0	-
		Expansion			
		None			
Division of Public Health					
		Reductions			
	S	**Position Eliminations** Eliminates positions in the Department of Public Health.	($900,000)	$0	(27.00)
		Expansion			
	G/S	**Aids Drug Assistance Program** This recommendation continues serving people in the AIDS Drug Assistance Program (ADAP) who are enrolled as of July 1, 2010. It will also allow eligible individuals (up to 125% of the federal poverty level) on the waiting list as of July 1 to be enrolled. To the degree that total funding available to the ADAP program allows, additional people will be enrolled.	$11,177,632	$3,000,000	-

DHHS: Governor and Senate Budget Items not in House Proposal

			Proposed Expansion\Reductions		
		Expansion\Reduction Item	Approps (R)	Approps (NR)	FTE
Division of Social Services					
		Reductions			
	G	**Change State Participation in State Adult Care Home Specialist Fund** Monies in the State Adult Care Home Specialist Fund are allocated to counties based on the number of licensed adult care homes in order to support monitoring and inspection efforts performed by local departments of social services staff. The non-federal share is split between the state and counties, 40% and 10% respectively. The proposal would evenly distribute the non-federal share at 25%.	($525,000)	$0	-
	G	**Change Permanency Planning State Match** Permanency Planning services for children, including activities to support foster care, adoption and child protective services, are supported through a 75% + 25% match with federal IV-B1 funding, of which the 25% is currently paid by the State. It is recommended that the required match of 25% for permanency planning services be transferred to the local departments of social services.	($682,512)	$0	-
	G/S	**Child Advocacy Centers** Replaces recurring grants-in-aid for the twenty-two accredited Child Advocacy Centers statewide. This reduction is offset by a non-recurring allocation of Social Services Block Grant receipts for services provided by the Child Advocacy Centers during FY 2010-11. (Gov.'s proposal does not include SSBG funding.)	($375,000)	$0	-
	G/S	**Child and Family Teams** Eliminates funding for twelve child and family team facilitator positions located in the following counties: Anson, Bertie, Duplin, Greene, Halifax, Hoke, Hyde, Martin, McDowell, Nash, Pamilico, and Vance. These funds support facilitator positions established for pilot programs in the above counties. The remaining eighty-eight counties have utilized other resources to hire facilitators.	($420,804)	$0	-
	G/S	**State Funding Authorizations for Counties** Continues a reduction in State funding authorizations for counties for Foster Care/Adoption Title IV-E, Child Protective Services-State, and Child Protective Services Title IV-E. These reductions were implemented during FY 2009-10 to cover the projected revenue shortfall.	G ($2,540,896) S ($2,390,896)		
	S	**Position Eliminations** Eliminates positions within the Division of Social Services.	($959,632)	$0	(15.00)
		Expansion			
	S	**Food Banks** Provides a non-recurring grant-in-aid to be equally distributed to the six regional food banks within North Carolina.		$1,000,000	-
	S	**Child Welfare Education Collaborative** Continues support of the Child Welfare Education Collaborative educational assistance program for social work students who commit to working in child protective services in county departments of social services.	$239,453	$0	-

DHHS: Governor and Senate Budget Items not in House Proposal

		Expansion\Reduction Item	Proposed Expansion\Reduction Approps (R)	Approps (NR)	FTE
Division of Medical Assistance					
		Reductions			
	G	**Durable Medical Equipment (DME) Program Improvements** The recommended budget includes two improvements for DME. First, the Division of Medical Assistance is seeking through a competitive bidding process to select one provider of incontinence supplies, resulting in savings through bulk purchasing ($1,654,714). Second, it is recommended that Medicaid no longer cover high-tech adult orthotics and prosthetics when lower-tech alternatives exist or when medical necessity does not demand the higher-tech device ($204,716).	($1,859,430)	$0	-
	G	**Improved Utilization Management for Optional Services** Various optional service changes are recommended. They include maintaining adult podiatry services for individuals with diabetes or vascular disease only ($535,436); eliminating adult optical 'refraction only' services to be consistent with Medicare reimbursement ($121,677); reducing the maximum number of visits for adult ST, PT, OT, and respiratory therapy (RT) to three visits/year ($1,507,110); and no longer allowing reimbursement of ST, PT, OT, and RT services when provided at the same time as other home care Medicaid services ($112,500). In addition, the division shall develop a plan that includes limits and prior approval on outpatient optional services for improved utilization management ($2,065,647).	($4,342,370)	$0	-
	G	**Private Duty Nursing Changes** This recommendation transitions adult private duty nursing recipients to a new Community Alternatives Program (CAP) technology waiver. The program will continue to serve children; however, it is recommended that independent assessments be conducted for children that receive the service.	($1,298,058)	$0	-
	G	**Coverage for Emergency Adult Dental Care** This recommendation limits adult dental coverage to emergency care only. With this policy change, covered services will include emergency exams; diagnostic x-rays; urgent care extractions; biopsies; excision of tumors; repair of soft tissue wounds; treatment of fractures; and a portion of adjunctive services, such as general anesthesia and IV sedation, hospital calls, and therapeutic drug administration.	($11,648,961)	$0	-
		Expansion			
	G/S	**Adult Care Home Funds** Funds are recommended to develop and implement a 1915(c) Medicaid Assisted Living waiver for individuals that reside in adult care homes that meet skilled nursing level of care and currently receive State County Special Assistance (SCSA). The waiver will allow for a targeted reimbursement based on acuity levels for the personal care services provided in adult care homes.	G ($9,000,000) S ($5,000,000)		-

DHHS: Governor and Senate Budget Items not in House Proposal

		Expansion\Reduction Item	Proposed Expansion\Reductions Approps (R)	Approps (NR)	FTE
Health Choice					
		Reductions			
		None			
		Expansion			
	G/S	**NC Health Choice Transition Staff** Based on findings from the OSBM study of NCHC staffing, three staff are recommended to transition the administration of NC Health Choice to the division. The staff includes two time-limited employees for clinical policy and provider enrollment and one permanent employee for program integrity activities.	$19,825	$39,650	3.00
	G/S	**Expand NC Health Choice Enrollment** The Governor recommends expanding NCHC to fund anticipated enrollment growth to ensure that all children seeking coverage are served. Projected enrollment is expected to reach 143,035 by June 2011, allowing an additional 8,096 children to be served.	G $8,522,718 S $6,500,000		-
Division of Services for the Blind, Deaf and Hard of Hearing					
		Reductions			
		Expansion			
		None			
Division of Mental Health\DD\SAS					
		Reductions			
	G/S	**School-based Child and Family Teams** Eliminates funding available for system coordinators within the 15 LME pilot areas. These funds support 18 Care Coordinators.	($523,638)	$0	-
	S	**State Service Funds** Replaces State funding with the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services with federal Mental Health and Substance Abuse block grant funds for FY 2010-11. The total includes $1,731,432 from the Mental Health Block Grant and $2,729,770 from the Substance Abuse Block Grant. This is a one-time swap of State with federal funds.	$0	($4,461,202)	Reduction no longer viable.
	S	**Division Management Funds** Reduces unobligated funding available at the Division's discretion for one-time needs of community providers or LME system needs. The total includes $1,169,355 for mental health, $3,398,534 for developmental disabilities, and $2,612,918 for substance abuse services. These funds have historically been spent to address specific one-time needs; these funds are not allocated to LMEs for service provision.	$0	($7,180,807)	$0

DHHS: Governor and Senate Budget Items not in House Proposal

			Proposed Expansion\Reductions		
		Expansion\Reduction Item	Approps (R)	Approps (NR)	FTE
		Expansion			
	G	**Increase Local In-Patient Bed Capacity** Funding is recommended to continue the development of local crisis response through the purchase of local in-patient bed capacity. These funds support the purchase of an estimated 50 beds. Local in-patient care affords clients the opportunity to receive services in their home community and better integration of care.	$12,000,000	$0	-
	G	**Improve Quality of Care in Residential Facilities** To improve the quality of care of clients in the division's residential facilities, funding is recommended to support the training of facility staff. An emphasis will be placed on training direct care staff and front line leaders. Training will include current treatment modalities, medication administration, therapeutic communication, clinical and legal aspects of documentation, and cultural awareness.	$534,795	$0	-
	G/S	**Training in Facilities** Increases funds available for training direct care staff and front line leaders in patient care. Training will include medication administration, therapeutic communication, clinical and legal aspects of documentation and cultural awareness.	$534,795	$0	-
	S	**Leadership Academy** Provides funds for a Mental Health Leadership Academy for training for Mental Health managers, finance/budget officers, and other leaders within LMEs.	$0	$250,000	-
Division of Health Services Regulation					
		Reductions			
	G	**Make Jails and Detention Section Receipt Supported** It's recommended that the Jails and Detention Section become 100% receipt supported. Annual fees will be $420/facility and $17.50/bed.	($417,533)		
		Expansion			
		None			
Division of Vocational Rehabilitation					
		Reductions			
	G	**Reduce Independent Living Program Budget and Staff** The Independent Living program reduces institutionalization of persons with significant disabilities and maximizes community living for those citizens and their families by providing services to increase independence and employment. This recommendation reduces overmatched state funds within the Independent Living program.	($799,202)	$0	
		Expansion			
		None			

MINUTES

HEALTH AND HUMAN SERVICES
APPROPRIATIONS SUBCOMMITTEE

Tuesday July 6, 2010
4:15 p.m.
House Chamber, Seat Number 5

The Joint Appropriations Subcommittee on Health and Human Services met Tuesday July 6, 2010 in House Chamber around Rep. England's desk, seat number 5 at 4:15 p.m. Representative Bob England presided. Rep. England called the meeting to order. A copy of the attendance is attached to these minutes (Attachment 1).

Rep. Insko was recognized to present **SB 1309 - Extend and Expand First Commit Pilot** (Attachment 2). Rep. England recognized committee members for questions of the bill sponsor.

Rep. Neumann moved for a favorable motion and be referred to the House Floor. The motion passed. There being no further business before the committee the meeting was adjourned at 4:20 p.m.

A copy of all presentations is attached to these minutes.

Representative Verla Insko
Chair

Gina Insko
Committee Assistant

ATTENDANCE

APPROPRIATIONS SUBCOMMITTEE ON HEALTH AND HUMAN SERVICES

(Name of Committee)

DATES	5-25-10	5-25-10	5-26-10	7-6-10											
REP. VERLA INSKO - CHAIR		X	X	X											
REP. BEVERLY EARLE - CHAIR	X		X												
REP. BOB ENGLAND - CHAIR	X	X	X	X											
REP. JEFF BARNHART VICE-CHAIR			X												
REP. JEAN FARMER-BUTTERFIELD VICE-CHAIR	X	X	X	X											
REP. WILLIAM BRISSON	X		X												
REP. JUSTIN BURR	X	X	X												
REP. PEARL BURRIS-FLOYD	X		X	X											
REP. NELSON DOLLAR	X		X	X											
REP. WIL NEUMANN		X	X	X											
REP. RANDY STEWART	X	X	X	X											
Sen. William Purcell															
Sen. Doug Berger															
Sen. Martin Nesbitt															
Sen. Charles Dannelly															
Sen. Blake Harris															
Sen. Debbie Clary															
Sen. James Forrester															
STAFF															
Melanie Bush	X	X	X	X											
Lee Dixon	X	X	X	X											
Lisa Hollowell	X	X	X	X											
Bryce Bell	X	X	X	X											

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

S 2

SENATE BILL 1309
Health Care Committee Substitute Adopted 5/26/10

Short Title: Extend and Expand First Commit Pilot. (Public)

Sponsors:

Referred to:

May 20, 2010

A BILL TO BE ENTITLED

AN ACT TO AUTHORIZE THE SECRETARY OF HEALTH AND HUMAN SERVICES TO WAIVE TEMPORARILY CERTAIN REQUIREMENTS OF THE MENTAL HEALTH COMMITMENT STATUTES FOR PARTICIPANTS IN THE FIRST EVALUATION PILOT PROGRAM AND TO DIRECT THE DEPARTMENT OF HEALTH AND HUMAN SERVICES TO STUDY CERTAIN ISSUES RELATING TO THE 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. S.L. 2003-178, as amended by Section 10.27 of S.L. 2006-66, as amended by Section 1.1(a)(5) of S.L. 2007-504, and as further amended by Section 3 of S.L. 2009-340, reads as rewritten:

"**SECTION 1.** The Secretary of Health and Human Services may, upon request of an LME, 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 an LME 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 LME 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 LME 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 by October 1, 2009. The report shall include data gathered from all participating LMEs since the beginning of the pilot.

(4) The waiver granted by the Secretary under this section shall be in effect until ~~October 1, 2010.~~October 1, 2012.

(5) The Secretary may grant a waiver under this section to up to ~~15~~20 LMEs.

(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 LME 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 ~~October 1, 2010.~~October 1, 2012."

SECTION 2. The Division of Mental Health, Developmental Disabilities, and Substance Abuse Services shall expand its standardized certification training program to include refresher training for all certified providers and shall report to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services on the participation rate of licensed clinical social worker, the master's level psychiatric nurse, or the master's level certified clinical addictions specialist in the pilot

program and whether the program should include other licensed or certified health care professionals.

SECTION 3. This act is effective when it becomes law.

2009 PERMANENT SUBCOMMITTEE REPORT
HOUSE OF REPRESENTATIVES

FOR RECOMMENDING BILLS TO STANDING COMMITTEE OR TO THE FLOOR OF THE HOUSE
The following report(s) from permanent sub committee(s) is/are presented:

By Representative(s) Earle, England, Insko (Chairs) for the Appropriations Subcommittee on Health and Human Services.

☒ Senate Committee Substitute for
SB 1309 A BILL TO BE ENTITLED AN ACT TO AUTHORIZE THE SECRETARY OF HEALTH AND HUMAN SERVICES TO WAIVE TEMPORARILY CERTAIN REQUIREMENTS OF THE MENTAL HEALTH COMMITMENT STATUTES FOR PARTICIPANTS IN THE FIRST EVALUATION PILOT PROGRAM AND TO DIRECT THE DEPARTMENT OF HEALTH AND HUMAN SERVICES TO STUDY CERTAIN ISSUES RELATING TO THE PROGRAM, AS RECOMMENDED BY THE JOINT LEGISLATIVE OVERSIGHT COMMITTEE ON MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE SERVICES.

WITH APPROVAL OF STANDING COMMITTEE CHAIR(S) FOR REPORT TO BE MADE DIRECTLY TO THE FLOOR OF THE HOUSE:

Representative Michaux, Adams, Alexander, Crawford, Haire, Jeffus, Tolson, Yongue (Chairs) for the Standing Committee on Appropriations.

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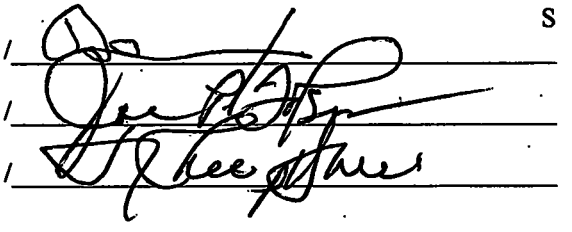

☒With a favorable report.

(FOR JOURNAL USE ONLY)

_____ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on _____.

_____ Pursuant to Rule 36(b), the bill/resolution is placed on the Calendar of _____.