

Highlights of the Health and Human Services Budget

The Conference Budget for Health and Human Services in FY 2023-24 includes net appropriations of \$7.33 billion, which is \$829.2 million above the base budget, a 12.8% increase. FY 2024-25 includes net appropriations of \$7.67 billion, which is \$341.4 million more than FY 2023-24, a 4.7% increase. The highlights of the Health and Human Services adjustments follow below.

Executive Summary

The Health and Human Services budget includes significant investments in Medicaid, behavioral health initiatives, and programs to support rural and underserved areas of the State. General Fund appropriations for the Medicaid program include increases for the Medicaid rebase, as well as new recurring funding to enable the State to permanently maintain the increased COVID-19 provider reimbursement rates for personal care services and skilled nursing facilities. There is also funding to increase reimbursement rates for behavioral health services and to increase compensation for direct care workers who provide services to individuals with disabilities through the Medicaid Innovations waiver program.

The Medicaid budget also includes funding for Medicaid expansion and recognizes Medicaid savings of more than \$1.4 billion in this biennium from the Medicaid expansion incentive in the federal American Rescue Plan Act (ARPA). The savings are placed in the ARPA Temporary Savings Fund and are used to fund various workforce, capital, and healthcare priorities throughout the budget. Within the Department of Health and Human Services (DHHS), the ARPA Temporary Savings Fund is used to support approximately \$400.0 million in new or expanded behavioral health programs and more than \$70.0 million for rural health initiatives.

Division of Central Management and Support (DCM)

DCM Committee Report Items

- Provides \$15.6 million in recurring funds in both years for the Transitions to Community Living Initiative, the program through which the State is complying with the 2012 U.S. Department of Justice settlement. (Item 26, Page C 17)
- Provides \$25.0 million in nonrecurring funds in each year of the biennium from the ARPA Temporary Savings Fund to expand loan repayment and practice incentives for health providers who serve in rural and underserved areas. Each year's allocation includes \$9.0 million to expand support of the current North Carolina Loan Repayment Program, \$5.0 million for a new initiative to target primary care physicians, \$10.0 million for behavioral health providers, and \$1 million for registered nurses. (Item 40, Page C 20)
- Provides \$5 million in FY 2023-24 and \$15.0 million in FY 2024-25 on a nonrecurring basis from the ARPA Temporary Savings Fund to provide grants to rural health care providers to purchase start-up equipment for telemedicine. This competitive grant

prioritizes applications from independent primary care practices and independent obstetrics and gynecology practices. (Item 41, Page C 20)

- Provides one-time funding of \$20.0 million in FY 2023-24 and \$60.0 million in FY 2024-25 from the ARPA Temporary Savings Fund to provide supports to families caring for children with behavioral health or other special needs and strengthen available specialized behavioral health treatment options. (Item 49, Page C 21)
- Provides \$20.0 million in nonrecurring funds from the ARPA Temporary Savings Fund in FY 2024-25 for the implementation of electronic health records (EHR) at State-operated healthcare facilities, as well as \$5.0 million in recurring funds from the General Fund in FY 2024-25 for EHR operations and maintenance needs. (Items 50 and 51, Page C 21)

Division of Child Development and Early Education (DCDEE)

DCDEE Special Provisions

- Authorizes DHHS to use one-time federal child care block grant funds to extend the compensation grants portion of child care stabilization grants enacted in S.L. 2021-25. (Section 9D.11)

Division of Health Benefits (DHB)

DHB Committee Report Items

- Retains the enhanced COVID-19 Medicaid reimbursement rates for skilled nursing facilities and personal care services. Some of the funding to maintain the higher rates in FY 2023-24 will be transferred from the ARPA Temporary Savings Fund. In FY 2024-25, the enhanced rates are funded with a total of \$160.8 million in recurring funds from the General Fund. (Items 108 and 109, Page C 60)
- Provides \$55.0 million in FY 2023-24 and \$75 million in FY 2024-25 in recurring funds to increase the reimbursement rates paid to Medicaid behavioral health providers. (Item 110, Page C 60)
- Budgets \$10.0 million in recurring funds in each year to add 350 slots for the State's Innovations waiver program and \$60.0 million in recurring funds in each year to increase the compensation for direct care workers who serve Innovations waiver participants. (Items 111 and 112, Page C 60)
- Increases the Medicaid reimbursement rates for private duty nursing services from \$45 per hour to \$52 per hour, with \$10.0 million in recurring funds in each year of the biennium. (Item 114, Page C 61)
- Budgets \$524.4 million in FY 2023-24 and \$720.0 million in FY 2024-25 for the Medicaid rebase. The increases are mostly due to the shift back to greater State responsibility for Medicaid funding as the enhanced COVID-19 federal match rate ends. (Item 128, Page C 64) In addition to appropriations for the Medicaid rebase, the budget

deposits \$650.0 million into the Medicaid Contingency Reserve over the biennium to assist with future shortfalls in the Medicaid budget.

- Authorizes the use of \$240.0 million in nonrecurring funds over the biennium from the Medicaid Transformation Fund to pay the nonfederal share of Medicaid transformation programs, contracts, and information technology costs. (Item 135, Page C 66)
- Deposits an estimated \$1.46 billion in nonrecurring funds over the biennium into the ARPA Temporary Savings Fund. Savings of approximately \$200.0 million from the ARPA Medicaid expansion incentive will continue to accrue during the first fiscal quarter of next biennium. (Item 142, Page C 69)

DHB Special Provisions

- Delays the implementation of behavioral health and intellectual/developmental disabilities tailored plans until no later than July 1, 2024, with an initial contract term of no less than 4 years. (Section 9E.16)
- Requires DHHS to issue an initial RFP for a single statewide children and families specialty plan to begin by December 1, 2024. The new managed care plan will serve children and families involved in the foster care system. (Section 9E.22)

Division of Mental Health, Developmental Disabilities, and Substance Use Services (DMH/DD/SUS)

DMH/DD/SUS Committee Report Items

- Provides \$20.0 million in each year of the biennium from the ARPA Temporary Savings Fund for recruitment and retention bonuses to help stabilize staffing at State-operated healthcare facilities. (Item 290, Page C 98)
- Provides \$30.0 million in FY 2023-24 and \$50 million in FY 2024-25 on a nonrecurring basis from the ARPA Temporary Savings Fund for new mobile crisis teams and new crisis and respite facilities. (Item 306, Page C 102)
- Provides \$29.0 million in FY 2023-24 and \$70 million in FY 2024-25 on a nonrecurring basis from the ARPA Temporary Savings Fund for re-entry and diversion programs, as well as capacity restoration programs, for individuals involved in the justice system. (Item 314, Page C 104)

DMH/DD/SUS Special Provisions

- Requires the Secretary of DHHS (Secretary) to reduce the number of local management entity/managed care organizations (LME/MCOs) from 6 to either 4 or 5 within 90 days after the budget becomes law and authorizes the Secretary to direct the dissolution, merger, or consolidation of existing LME/MCOs to achieve the required reduction. The Secretary is required to redefine the regions of operation of the behavioral health and

intellectual/developmental disabilities tailored plans to match the realignment of counties resulting from the reduction in the number of LME/MCOs. (Section 9G.7A)

Division of Public Health (DPH)

DPH Committee Report Items

- Provides \$4.7 million in FY 2023-24 and \$10.2 million in FY 2024-25 to strengthen the Medical Examiner System. These totals include funds to increase the fees paid to autopsy centers; funds to increase system capacity; operating funds for a new regional autopsy center to serve the South Piedmont region; and funds to enable toxicology testing for investigations of child deaths. (Items 346 through 349, Pages C 119 and C 120)
- Budgets, in each year of the biennium, \$11.3 million in nonrecurring receipts from the North Carolina settlement with Juul Labs, Inc. for activities to mitigate youth electronic cigarette and tobacco use in youth grades 4-12. (Item 369, Page C 125)

DPH Special Provisions

- Increases the rate paid to Autopsy Centers, beginning July 1, 2024, from the current rate of \$2,800 per autopsy to \$5,800, reflecting the full cost of an autopsy. In addition, the provision requires the Medical Examiner to conduct an autopsy when the district attorney believes the probable cause of death is in violation of G.S. 14-18.4, Death by distribution of certain controlled substances. (Section 9H.8)
- Establishes an Office of Child Fatality Prevention to serve as the lead agency for child fatality prevention in North Carolina. (Section 9H.15)

Division of Social Services (DSS)

DSS Committee Report Items

- Provides \$620,002 in recurring funds to establish six regional director positions for the State's Regional Support Model, which was established by Rylan's Law (S.L. 2017-41), to provide counties with more direct supervision and support. (Item 385, Page C 142)

DSS Special Provisions

- Directs DHHS to develop a trauma-informed, standardized assessment to assist children who have experienced trauma warranting the involvement of the Division of Social Services and other child welfare agencies. (Section 9J.12)
- Authorizes the director of a county department of social services to request assistance with transporting a high-risk juvenile. Assistance can be provided by designated staff of a law enforcement agency, the Division of Juvenile Justice, or the Department of Adult Correction. (Section 9J.13)