



STATE OF NORTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES

ROY COOPER
GOVERNOR

KODY H. KINSLEY
SECRETARY

February 4, 2024

To: Members of the Joint Legislative Oversight Committees on Health and Human Services and Medicaid
From: Secretary Kody H. Kinsley 
Re: Key Issue Updates

I am grateful for the partnership the North Carolina Department of Health and Human Services (Department) has had with the General Assembly for the last several years. Our collaboration has empowered the dedicated efforts of the public servants of the Department to implement major investments in the health and wellbeing of the people of North Carolina. Thank you for your leadership.

We look forward to the oversight hearings commencing on February 6, 2024, leading up to Short Session. In preparation, I thought it valuable to provide updates on key areas of discussion since the start of the biennium. As we tackle these issues together, and other areas of concern, I offer a framework that I believe covers the five broad areas of focus for 2024:

- Preventing the collapse of the **early education** and **childcare** system.
- Promoting the **physical** and **mental health of youth**.
- Protecting and supporting **older** and **disabled** North Carolinians.
- Pushing health care costs down and improving outcomes with **Medicaid innovation**.
- Improving public service delivery by **investing in staff and systems**.

KEY ISSUE UPDATES

Medicaid Expansion is off to a strong start. Given final approval in October, the Department launched the program in record speed (less than 60 days) on December 1, 2023. On day one, nearly half of all those expected to be eligible were enrolled and after two months over 344,000 were enrolled. Modeling projected a total of 600,000 individuals to be eligible for expansion, and for that goal to be achieved in two years. Because of the strong planning, work by our county partners, technology investments, and policy flexibilities after the public health emergency, we have achieved half of a two-year goal in just two months of time. Further, Medicaid expansion is serving the real needs of people. For the expansion population alone, over 150,000 claims for prescription drugs have been filled, mainly to manage chronic diseases. And through mid-January, \$2.5 million in dental claims have already been paid.

The **\$835 million investment in behavioral health** appropriated by the General Assembly is being quickly put into action. In less than two months after the appropriation, the department completed the complex actuarial analysis to increase the rate-floors and required rate add-ons for behavioral health services for the first time in over a decade. We aligned these rates both to market factors and toward paying for quality services our system needs more of — such as inpatient beds, as nearly 350 individuals wait for beds in emergency departments while psychiatric beds sit empty. The Department has an investment roadmap to discuss with members for the remainder of the funding.

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The **early education and childcare** system remains in crisis. Over 50 centers have closed since June 2023, many in rural communities. This creates burdens for families and businesses, compounds our workforce shortage as parents can't find childcare, and puts children at risk. In the budget, the General Assembly provided some funding to increase childcare subsidy reimbursement rates, which were implemented in October, and funds for innovative pilots, but lacked ongoing funds for further stabilization. The General Assembly tasked the Department to work with the childcare commission to modernize the rating system and associated regulations – that work is nearly complete. Looking ahead, we will need funding to stabilize the system to prevent further closures, work to quickly implement the new rules, and continued pilots of models to sustain childcare in the future.

Providing trauma-informed **child welfare** services continues to be a challenge for several counties. There are currently 10,392 children in foster care in North Carolina. Unfortunately, on most nights, over 30 kids have no placement options and must sleep in a county DSS office, which is unacceptable. The Department allocated \$7.8 million at the end of January to counties to create programs for emergency placement. Meanwhile, the General Assembly's recent legislative change allowing for kin to be compensated was quickly put into action in November 2023. The number of participating kinship providers has grown to 1,245 who are now engaged in caring for about 1,500 kids in DSS custody. Looking ahead, we need continued support of county child welfare workers and to attract more quality foster care parents.

The amount of time to complete **autopsies and issue the final death certificates** currently averages 180-210 days, with some taking much longer. In the last two sessions, the General Assembly broadened the number of professions that can serve as local medical examiners, increased the autopsy fee (effective July 1, 2024), and provided an additional seven Forensic Pathologists positions for the Office of the Chief Medical Examiner (that were compressed into four so that they could be posted at competitive salaries). Two of the four have been hired and will start this summer, and a third is anticipated to begin October 2024. Once the new pathologists start, this will provide some relief; however, the new Death by Distribution law will require up to 1,414 more autopsies per year. (For reference, approximately 4,346 autopsies were completed in 2023.) In addition to staffing, toxicology remains a key bottleneck in the process. Looking ahead, we are working towards launching a new technology system that will improve transparency for status of cases, and we have engaged a broad group of stakeholders to offer input on a strategic plan (to improve and strengthen our statewide medical examiner system) that we'll be sharing with you in the near future. That plan will address our existing regional autopsy centers – many of which have closed over the last 10 years, putting increased burden on those that remain, including OCME, and slowing overall processing time.

Requests for **vital records** currently have a processing time of 30 days for digitized certificates and 45 days for non-digitized certificates. For amendments submitted with complete applications, the office is processing birth amendments in 30 days, death amendments in 2 weeks, adoptions in 90 days, court orders in 90 days, and paternities in 30 days. All backlogs have been cleared except a small backlog that remains for adoptions and court orders (which are averaging 90 days to process). A new call system and case management system was implemented in May of 2023, helping to improve processing times and track cases to resolution. However, high staff vacancies have increased the average wait time for callers to 11 minutes. In the budget passed in October, the General Assembly provided \$8M dollars for digitization of the 11M paper and microfilm birth records. That contract was put out for bid, and we expect the award to occur in March and for work to begin shortly thereafter.

Health care facility **complaints** are up 10% in the last year and 35% cumulatively since 2017. At present, the Department is unable to meet about half of its federal timeline requirements to complete investigations and inspections, and many of our state timelines. In the last budget, we requested 36 positions to continue to meet the increased complaint needs, of which 9 were provided. In addition to complaints, the Division of Health Service Regulation is charged with licensing over 20,000 healthcare facilities, including hospitals and nursing homes. Looking forward, we will be creating a public dashboard to provide more visibility into complaints and adverse actions taken and hope to continue to work with the General Assembly to make necessary investments in this workforce to protect older and disabled North Carolinians.

In December 2023, the Department directed the consolidation of **LME/MCOs** into 4 entities. That consolidation became effective February 1. Readiness reviews for **Tailored Plans** have begun, to include claims testing, network adequacy, provider contracting, member communications, etc. Efforts are now on track for a July 1 launch of tailored plans, and the LME/MCO leadership is working very hard to accomplish this goal. A public white paper outlining the design of the **Child & Family Specialty Plan** was released in January — the specific date of the forthcoming RFP cannot be public at this time, as to not advantage particular bidders.

The **Medicaid program** is currently trending toward being on-budget. It's important to note that even a 1% variation would have an impact of \$50M, and it is still early in the budget period. We are working to manage very carefully within the funding levels, which were less than the requested amount in the Governor's budget. As you will recall, none of these costs are driven by Medicaid Expansion, as those beneficiaries are fully funded by hospital and managed care organization assessments.

For **Medicaid redeterminations**, North Carolina is in the middle-of-the-pack in the nation regarding speed and top-of-the-pack regarding compliance. To continue to promote speed and accuracy, the Department has invested significantly in technology, county resources and policy flexibility. Compared to zero before the pandemic, now 24% of redeterminations go straight through without being touched by a county worker. Early in 2023, the Department provided over \$8M to counties to support the hiring of eligibility workers. As done in Kentucky, the Department made use of federal flexibility to automatically extend coverage of children for 12 months. The extension is good for counties, good for the budget, and good for kids. When redetermined, children stay on the program 80% of the time. Delaying their redetermination by one year reduces significant unnecessary work for county staff. Since the capitation rates Medicaid pays for a non-disabled adult are more than double what they pay for a non-disabled child, and adults are more likely than children to be ineligible for traditional Medicaid at redetermination, the child extension is expected to create a net drop in costs. Looking ahead, we will continue to manage this budget carefully and work closely with the General Assembly.

Thank you again for your partnership on these issues and many others as we work together to support the health and wellbeing of all North Carolinians. While this list of key issues is not exhaustive, it aims to be a refresher of those issues that have been front-of-mind for all of us. On top of these and other key priority efforts, we have routine core services our Department offers to the people of North Carolina daily — all made possible by the dedicated public servants at the Department — who are working harder than ever as we continue to press forward with one of the greatest vacancy rates in recent memory.

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