



# SENATE BILL 808: Medicaid Funding Act.

This Bill Analysis reflects the contents of the bill as it was presented in committee.

2019-2020 General Assembly

|                       |   |                     |                                    |
|-----------------------|---|---------------------|------------------------------------|
| <b>Committee:</b>     | Senate Rules and Operations of the Senate | <b>Date:</b>        | June 15, 2020                      |
| <b>Introduced by:</b> | Sens. Brown, Harrington, B. Jackson       | <b>Prepared by:</b> | Amy Jo Johnson**<br>Staff Attorney |
| <b>Analysis of:</b>   | Second Edition                            |                     |                                    |

**OVERVIEW:** Senate Bill 808 appropriates funds for the Dorothea Dix campus relocation project and the child welfare component of NC FAST; appropriates Coronavirus Relief Funds for behavioral health and crisis services; appropriates funds for the Medicaid program and Medicaid transformation; and makes changes related to Medicaid transformation implementation.

### BILL ANALYSIS:

**Part I** appropriates funds for planning purposes for the Dorothea Dix relocation project with Department of Health and Human Services (DHHS). The Department of Administration and DHHS are instructed to select a suitable site in Wake County for the relocation project. (Effective July 1, 2020)

**Part II** appropriates funds for updates and changes to the child welfare case management component of NC FAST, including child welfare program changes in accordance with the federal Family First Prevention Services Act, updates for the Comprehensive Child Welfare Information System (CCWIS), funding for the Independent Verification and Validation (IV&V) contract, and risk assessment tool changes under Rylan's Law. (Effective July 1, 2020)

**Part III** appropriates \$50,000,000 in nonrecurring funds from the State's Coronavirus Relief Fund established in Section 2.2 of S.L. 2020-4 to the Office of State Budget and Management (OSBM) for allocation to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the 2020-2021 fiscal year, for distribution to local management entities/managed care organizations (LME/MCO's) to fund behavioral health and crisis services in response to the COVID 19 pandemic. It also makes the requirements and limitations of Part I of S.L. 2020-4 applicable to these funds and requires a report on the use of these funds by March 1, 2021. (Effective July 1, 2020)

**Part IV** prohibits the Department of Health and Human Services, Division of Health Benefits, from transferring to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, any portion of the certified Medicaid budget surplus calculated for the 2019-2020 fiscal year to offset any reduction in single stream funding. (Effective June 30, 2020)

**Part V** provides funds for the operation of the Medicaid program. **Section 5.1** specifies that unexpended funds received in the 2019-2020 fiscal year due to the acceleration of the MRI/GAP Plan that are attributable to the quarter July 1 through September 30, 2020, will not revert and will be used for the Medicaid program in the 2020-2021 fiscal year. **Section 5.2** appropriates funds for the implementation of an electronic visit verification (EVV) system for the Medicaid program. **Section 5.3** specifies that \$30,000,000 in nonrecurring funds appropriated to the Division of Health Benefits (DHB) will not revert

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at the end of the 2019-2020 fiscal year and will be used for the 2020-2021 Medicaid rebase. **Section 5.4** appropriates funds from the Medicaid Transformation Reserve to DHB for the Medicaid rebase. **Section 5.5** appropriates funds from the Medicaid Contingency Reserve to DHB for the Medicaid rebase. **Section 5.6** appropriates General Funds to DHB for the Medicaid rebase. (**5.1 and 5.3** are effective June 30, 2020, the remainder of the Part is effective July 1, 2020)

**Part VI** requires that eligibility be redetermined for all Medicaid beneficiaries whose eligibility was continued pursuant to federal law no later than 60 days after the expiration of the federal declaration of a nationwide health public emergency related to COVID-19.

**Part VII** makes a variety of changes related to Medicaid Transformation.

**Section 7** directs that Medicaid transformation will begin no later than July 1, 2021. This section also requires that DHB make a specified payment to prepaid health plans (PHPs) for every month beyond this date that Medicaid capitated payments are not made to PHPs. A payment is not required if the failure a PHP to receive that capitation payment is caused by the PHP.

**Section 8** transfers funds to the Medicaid Transformation Fund and allows those funds to be used for specified qualifying needs related to Medicaid Transformation, as verified by the Office of State Budget and Management. (Effective July 1, 2020)

**Section 9** repeals past budget provisions directing the elimination of certain Medicaid graduate medical education reimbursement.

**Section 10** requires the Department of Health and Human Services (DHHS) to ensure that its Customer Service hotline is responsive to Medicaid Transformation questions from beneficiaries, providers, and the public.

**Section 11** sets a rate floor for durable medical equipment for the first three years of the initial standard benefit plan PHP capitated contracts.

**Section 12** allows DHHS to contract with an Indian managed care entity or an Indian health care provider to assist with the provision of health-care related services to certain eligible Medicaid recipients and makes conforming changes.

**Section 13** requires DHHS to revise the current supplemental payment program for eligible medical professional providers to conform with managed care.

**Section 14** codifies the establishment of the Medicaid Contingency Reserve and the use of funds in the reserve.

**Section 15.1** replaces the two existing hospital assessments with two revised hospital assessments, each of which utilizes a fixed percentage of hospital costs, effective July 1, 2021. The percentages provide funding for (1) the State share of Medicaid costs associated with the anticipated increase to hospital per claim reimbursement and (2) the State retention amount. The percentage rates will be set each year by the General Assembly, and the Department of Health and Human Services (DHHS) will annually submit proposed adjustments to the rates.

- **Section 15.1(a)** repeals the current assessments, and **Section 15.1(b)** enacts the revised assessments. The supplemental assessment in new G.S. 108A-141 replaces the equity assessment currently in G.S. 108A-123(b), and the base assessment in new G.S. 108A-142 replaces the UPL assessment currently in G.S. 108A-123(c).
- **Sections 15.1(c) and (d)** set the rates for the revised assessments for the first taxable year, which is October 1, 2020, through September 30, 2021. The rate for the supplemental assessment is 2.32% of total hospital costs. The rate for the base assessment is 2.04% of total hospital costs. Since these rates are only in effect for

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one quarter of the first taxable year, only one-quarter of the amount that would be generated in a full year will be collected.

- Because of the uncertainty involved in converting the assessments to prospective fixed rates, **Section 15.2** authorizes the State Controller to transfer funds from the Medicaid Contingency Reserve to cover a shortfall in receipts in the Medicaid program during the 2021-2022 fiscal year.

**Section 16** is effective 30 days after it becomes law and amends Article 8B of Chapter 105 of the General Statutes, including G.S. 105-228.3 and G.S. 105-228.5, G.S. 105-259, and G.S. 58-6-25, as follows:

- Adds prepaid health plans to the types of organizations subject to the gross premiums tax and the insurance regulatory charge.
- Includes capitation payments for the Medicaid or Health Choice programs received by a prepaid health plan in the tax base on which the gross premiums tax is imposed.
- Establishes a tax rate of 1.9% for prepaid health plan gross premiums, which is the same rate applicable to other insurance contracts.
- Allows a deduction for capitation payments refunded by a prepaid health plan to the State, consistent with the deduction allowed for other gross premiums under the statute.

**Section 17** establishes the Hospital Uncompensated Care Fund as a nonreverting special fund to hold certain disproportionate share hospital adjustment (DSH) receipts to be used for payments related to uncompensated care in accordance with rules established by DHHS.

**Section 18** specifies the intent of the General Assembly to enact changes to Medicaid nontax revenue prior to the start of the 2021-2022 fiscal year.

**Part VIII** contains boilerplate language that (i) provides that the State Budget Act is not superseded by this act, (ii) appropriates departmental receipts for the 2020-2021 fiscal year, (iii) and provides that other bills enacted during the 2019 Regular Session of the General Assembly appropriating funds remain in effect.

**EFFECTIVE DATE:** Except where provided otherwise, this act is effective when it becomes law.

*\*\*Lisa Wilks, Joyce Jones, Matt Meinig, and Jennifer Hillman substantially contributed to this summary.*