

**General Assembly Unveils and Finalizes Budget Quickly**

The changes to the budget for State Fiscal Year 2018-2019 were posted to the [General Assembly](#) website during the Memorial Day weekend. At press time, the conference committee version of the Appropriations Act of 2018 is working its way through both the House and Senate. The vehicle that the legislature chose for the budget was an existing bill, S. 99, which had already passed the House and Senate and was in conference committee. By choosing a bill that had already been through the required legislative process in both houses, the General Assembly is able to forego the usual vetting process. In fact, the understanding is that amendments will not be allowed and the budget that was posted is essentially the budget that will be finalized. This is a big indicator that legislators are anxious to end this session quickly, presumably in order to get back to their communities to campaign.

The budget proposal for all departments, including Health and Human Services, is simple and minimal because the budget for this coming fiscal year was already set in last year’s biennium budget process. The budget changes from last year remain in place and these are additional changes (unless noted to replace the previous budget provision). Nonetheless, there are significant changes included in the budget including an additional cut to the State funding for uninsured individuals with mental illness, intellectual or developmental disabilities or substance use disorders. State employees generally receive a 2% rate increase and there was a particular focus on raising State employee salaries to at least \$31,200. This increase will benefit many individuals employed by State-operated facilities. In addition, many employees in the prisons will see a 4% increase in their salaries. Medicaid Transformation start-up costs were not forgotten as legislators reserved \$135 million Non-Recurring of the General Fund surplus for the Medicaid Transformation Reserve.

Some specifics included in the budget proposal are:

**Transition to Managed Care**

- By 11/1/18, NC DHHS will provide a Seven-Year Forecast Report on Medicaid Transformation to the Legislative Oversight Committee on Medicaid and Health Choice.
- No later than 10/1/19, NC DHHS will report to the Legislative Oversight Committees on Medicaid and Health Choice and Health and Human Services about administrative and policy staffing positions in the Division of Medical Assistance and Division of MH/I-DD/SAS and the needs for staffing within the Division of Health Benefits as managed care is expanded in the public system. The provision includes several focuses for the report.

**MH/I-DD/SAS Changes**

• Single Stream Funding Cut:	SFY17-18	SFY18-19
Recurring	(\$31,487,366)	(\$36,440,895)
Non-recurring	(\$55,454,923)	(\$71,189,458)

*\*see page 85 of S. 99 for specific changes to each catchment area.*

NOTE: LME/MCOs will be expected to continue providing services at the same level as SFY 14-15. This means there has been no inflationary adjustment or expansion funding for individuals who are uninsured since at least 2014.

- There is authority clearly given to the NC DHHS Secretary to adjust the specified recurring and non-recurring reductions across the LME/MCOs based upon a comparison of the cash balance and solvency range of each LME/MCO on December 1, 2018, as required by G.S. 122C-125.2(b). The Secretary is required to provide a detailed explanation for any such adjustment along with supporting documentation to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division within 10 business days after making the adjustment.
- A provision more clearly states the components that will be used to determine the solvency of a LME/MCO. Those components include: incurred but not reported claims figure; net operating liabilities figure; catastrophic or extraordinary events range; required intergovernmental transfers figure; projected operating loss figure; and, the reinvestment plan figure. The solvency components compared to the cash balance may or may not set in motion additional review by NC DHHS. The Department must submit the first of a quarterly-provided report on the solvency status of LME/MCOs on October 15, 2018. Finally, the provision strikes earlier statutory language on insolvency.
- \$5 million recurring to begin hiring staff for the new 85 beds at Broughton Hospital.
- Additional revisions to budgets for many other State-operated facilities—all to the positive.
- Funds were transferred from the Transition to Community Living Initiative funding within NC DHHS to the NC Housing Finance Agency to create housing opportunities for individuals within TCLI. The General Assembly directs in the budget that funds will be used in FY 2018-19 to increase access to permanent, community-based integrated housing for individuals with disabilities in support of the Olmstead Settlement, which appears to broaden the use of those funds.

### **School Safety and Public Safety**

- \$10 million Non-Recurring transferred to the Department of Public Instruction from the Dorothea Dix Property Fund for increased mental health-related school safety initiatives.
- \$20 million in recurring and Non-Recurring funds in the Department of Public Instruction, in addition to the \$10 million for MH-related initiatives noted above, is allocated for several developments around school safety. These include grants for: School Resource Officers, students in crisis, training to increase school safety and safety equipment. The Secretary of DPI is expected to report back to the General Assembly by April 2019. Several of these provisions require collaboration between DPI and DHHS and some of the provisions allow for non-profits and LME/MCOs to serve as community partners.
- Partial year funding increase allows for 65 more positions of Court Counselors and Supervisors and administrative assistants in Juvenile Justice to accommodate the raise in juvenile age included in the Juvenile Justice Reinvestment Act last year.

### **Health Care Technology**

- Provides expanded funding to further develop the Child Welfare ASSIST program, a collaboration between NC DSS and the Government Data Analytics Center.
- Provides funding to enhance the asset and income verification features of NC FAST.
- Designates additional Temporary Assistance for Needy Families (TANF) funds for further implementation of NC FAST.

- Uses Low-Income Home Energy Assistance block grant dollars toward the development of the integrated case management component within NC FAST.
- Appropriates funds from the Child Care Development Fund for the development of the child care component of NC FAST.

### **Social Service Programs Specific Changes including: Medicaid Eligibility through NC FAST, Child Welfare and Adult and Aging**

- Replaces \$50 million recurring in General Fund dollars with TANF dollars for the NC Pre-K program. The NC Pre-K program targets eligible children prior to them entering elementary school to provide these children with educational experiences that prepare them for school. In an unusual budget move, the Director of Budget is expected to increase the budget outside of the current biennium by designated amounts for SFY19-20 (\$9.35 m) and SFY 20-21 (\$18.7 m) for the NC Pre-K.
- NC DHHS is required to notify and report to the General Assembly via the Legislative Oversight Committee on Health and Human Services within certain time periods when the Program Improvement Plan for the Child Welfare Program and the child care component of NC FAST are implemented.
- 2 new staff at DHHS will be hired in 2019 to implement a training and certification program for caseworkers who utilize NC FAST.
- 1 new staff at DHHS to oversee and monitor the income eligibility determination process by counties.
- Allows for a contracted entity to audit county eligibility processes every three years.
- \$1.1 million Non-Recurring reduction to Temporary Assistance to Families of Special Assistance recipients due to decreased caseloads.
- Increases congregate meals offered under the Home and Community Care Block Grant (HCCBG).
- Allows the Eastern Band of Cherokee Indians (EBCI) and NC DHHS to develop a plan that would transfer administration of the HCCBG in that area to the EBCI.
- Increases HCCBG community based services/in-home and supports for older adults so that they can remain in their homes.
- Provides additional funding for the Crisis Intervention Program under the Low-Income Home Energy Assistance Program.
- Provides additional funding to local DSS offices to provide adult guardianship services.
- Moves some Social Service Block Grant dollars to further fund competitive grants for nonprofit organizations.

### **Healthcare Services**

- Provides additional funding for smoking cessation and youth tobacco prevention.
- Licensed Nursing Home Administrators may serve as Adult Care Home Administrators by taking the licensing exam for the assisted living administrator certification.
- Increases funding for 60 additional slots in the Physician Supplemental Payment Plan.

One trend that has been noted in at least the past two DHHS budgets is the direct allocation of a “grant” to individual provider organizations. This does not necessarily provide new funding to that Division but could create expectation that current State funding is redirected to these particular organizations. For example, the Division of MH/I-DD/SAS is directed to use funding

from State uninsured Single Stream Funding for these individual grants. For the MH/I-DD/SUD system, the way in which uninsured funds are used has been based on individual consumer needs and has been flexible for local areas to determine where the funding is most needed. These grants signal a shift where the decision is made, for at least some of the funds, at the State level instead of the local level.