

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2017

H

1

HOUSE BILL 858

Short Title: Medicaid Expansion/Healthcare Jobs Initiative. (Public)

Sponsors: Representatives Farmer-Butterfield, Earle, Autry, and B. Richardson (Primary Sponsors).

For a complete list of sponsors, refer to the North Carolina General Assembly web site.

Referred to: Appropriations

April 20, 2017

A BILL TO BE ENTITLED

AN ACT TO EXPAND ELIGIBILITY FOR THE MEDICAID PROGRAM TO INCLUDE ALL PEOPLE UNDER AGE SIXTY-FIVE WHO HAVE INCOMES EQUAL TO OR BELOW ONE HUNDRED THIRTY-THREE PERCENT OF THE FEDERAL POVERTY LEVEL, TO APPROPRIATE FUNDS FOR COSTS ASSOCIATED WITH THE EXPANSION, TO ACCOUNT FOR THE SAVINGS TO OTHER STATE PROGRAMS AS A RESULT OF THE EXPANSION, AND TO HAVE THE STATE SHARE OF COSTS OF THE EXPANSION FUNDED BY HOSPITAL PROVIDERS.

Whereas, Medicaid expansion would serve an additional 468,000 North Carolinians in fiscal year 2017-2018 and an additional 630,000 North Carolinians in fiscal year 2018-2019; and

Whereas, Medicaid expansion would create positive economic benefits for the State of North Carolina through the influx of federal funds that would attend Medicaid expansion; and

Whereas, it is the intent of the General Assembly to utilize a hospital assessment, as well as savings to other State programs, to pay for the State share of costs associated with Medicaid expansion; and

Whereas, Medicaid expansion would increase demand for health care services provided by health care providers, such as physicians, hospitals, pharmacies, and home health agencies; and

Whereas, the increase in demand for health services under Medicaid expansion would also lead to an increase in demand for health care facilities, products, and staffing provided by an array of industries, such as construction and manufacturing, as well as various health care related businesses; and

Whereas, the economic benefits of Medicaid expansion would extend beyond health care and other associated industries, because these industries and their workers purchase goods and services in the broader economy; and

Whereas, an increase in employment and an increase in the purchase of goods and services would increase income taxes and sales and use taxes payable to the State; Now, therefore,

The General Assembly of North Carolina enacts:

SECTION 1. Repeal of Prohibition on Medicaid Expansion. – Section 3 of S.L. 2013-5 is repealed.



1 **SECTION 2.** Medicaid Expansion Required. – Beginning January 1, 2018, the
2 Department of Health and Human Services, Division of Medical Assistance, shall provide
3 Medicaid coverage to all people under age 65 who have incomes equal to or less than one
4 hundred thirty-three percent (133%) of the federal poverty guidelines. The medical assistance
5 provided to persons in this Affordable Care Act expansion group shall consist of the coverage
6 described in 42 U.S.C. § 1396a(k)(1).

7 **SECTION 3.** State Share. – It is the intent of the General Assembly to utilize the
8 Medicaid Expansion Assessment under G.S. 108A-131 as enacted by Section 7(b) of this act,
9 as well as savings to other State programs as reflected in Section 6 of this act to pay for the
10 State share of costs associated with Medicaid expansion.

11 **SECTION 4.** Appropriation to Pay for Administrative Costs. – Utilizing funds
12 generated by the Medicaid Expansion Assessment, there is appropriated from the General Fund
13 to the Department of Health and Human Services, Division of Medical Assistance, the sum of
14 twenty-seven million four hundred eighty-one thousand one hundred ninety-nine dollars
15 (\$27,481,199) in recurring funds for the 2017-2018 fiscal year and forty-one million
16 twenty-three thousand five hundred twenty-one dollars (\$41,023,521) in recurring funds for the
17 2018-2019 fiscal year to pay for administrative costs associated with Medicaid expansion.
18 These funds shall provide a State match for an estimated twenty-nine million five hundred
19 eighteen thousand eight hundred one dollars (\$29,518,801) in federal funds for the 2017-2018
20 fiscal year and forty-two million nine hundred seventy-six thousand four hundred seventy-nine
21 dollars (\$42,976,479) in federal funds for the 2018-2019 fiscal year, and those federal funds are
22 hereby appropriated to pay for administrative costs associated with Medicaid expansion.

23 If the amount of federal funds available to pay for administrative costs associated
24 with Medicaid expansion exceeds the amounts set forth in this section, then the expenditure of
25 State funds for this purpose shall be reduced by an amount equal to the amount of excess
26 federal funds that are available, and these excess federal funds are hereby appropriated for the
27 purposes described in this section.

28 **SECTION 5.** Appropriation to Pay for Medicaid Services Costs. – The expansion
29 of Medicaid services under this act will affect only half of the 2017-2018 fiscal year. Utilizing
30 funds generated by the Medicaid Expansion Assessment, there is appropriated from the General
31 Fund to the Department of Health and Human Services, Division of Medical Assistance, the
32 sum of one hundred fourteen million eight hundred forty-eight thousand thirteen dollars
33 (\$114,848,013) in recurring funds for the 2017-2018 fiscal year to pay for service costs
34 associated with Medicaid expansion. Utilizing funds generated from savings to other State
35 programs, there is appropriated from the General Fund to the Department of Health and Human
36 Services, Division of Medical Assistance, the sum of six million seven hundred thirty-one
37 thousand eight hundred twenty-three dollars (\$6,731,823) in recurring funds for the 2017-2018
38 fiscal year to pay for service costs associated with Medicaid expansion. These funds shall
39 provide a State match for an estimated one billion two hundred forty-five million four hundred
40 twenty thousand one hundred sixty-four dollars (\$1,245,420,164) in federal funds for the
41 2017-2018 fiscal year, and those federal funds are hereby appropriated to the Division of
42 Medical Assistance to pay for service costs associated with Medicaid expansion.

43 Utilizing funds generated by the Medicaid Expansion Assessment, there is
44 appropriated from the General Fund to the Department of Health and Human Services, Division
45 of Medical Assistance, the sum of two hundred seventy-three million three hundred
46 ninety-seven thousand four hundred seventy-five dollars (\$273,397,475) in recurring funds for
47 the 2018-2019 fiscal year to pay for service costs associated with Medicaid expansion.
48 Utilizing funds generated from savings to other State programs, there is appropriated from the
49 General Fund to the Department of Health and Human Services, Division of Medical
50 Assistance, the sum of twenty-one million three hundred forty-seven thousand eight hundred
51 twenty-five dollars (\$21,347,825) in recurring funds for the 2018-2019 fiscal year to pay for

1 service costs associated with Medicaid expansion. These funds shall provide a State match for
2 an estimated three billion four hundred sixty-eight million two hundred fifty-four thousand
3 seven hundred dollars (\$3,468,254,700) in federal funds for the 2018-2019 fiscal year, and
4 those federal funds are hereby appropriated to the Division of Medical Assistance to pay for
5 service costs associated with Medicaid expansion.

6 If the amount of federal funds available to pay for service costs associated with
7 Medicaid expansion exceeds the amounts set forth in this section, then the expenditure of State
8 funds for this purpose shall be reduced by an amount equal to the amount of excess federal
9 funds that are available, and these excess federal funds are hereby appropriated for the purposes
10 described in this section.

11 **SECTION 6.** Reductions to Reflect Savings in Other State Programs. – Because
12 the Medicaid expansion required by this act will generate savings to other State programs that
13 currently serve the population to be included in the Medicaid expansion, the following
14 reductions are made:

- 15 (1) Because the expansion of Medicaid services under this act will affect only
16 half of the 2017-2018 fiscal year, the appropriation to the Department of
17 Health and Human Services, Division of Mental Health, Developmental
18 Disabilities, and Substance Abuse Services, is hereby reduced by six million
19 seven hundred thirty-one thousand eight hundred twenty-three dollars
20 (\$6,731,823) in recurring funds for the 2017-2018 fiscal year. The
21 appropriation to the Department of Health and Human Services, Division of
22 Mental Health, Developmental Disabilities, and Substance Abuse Services,
23 is hereby reduced by thirteen million four hundred sixty-three thousand six
24 hundred forty-five dollars (\$13,463,645) in recurring funds for the
25 2018-2019 fiscal year.
- 26 (2) The appropriation for the Inmate Health Care program within the
27 Department of Public Safety, Division of Adult Correction, is hereby
28 reduced by seven million eight hundred eighty-four thousand one hundred
29 eighty dollars (\$7,884,180) in recurring funds for the 2018-2019 fiscal year.

30 **SECTION 7.(a)** The statutory sections of Article 7 of Chapter 108A of the General
31 Statutes, which are known as the "Hospital Provider Assessment Act," are hereby reorganized
32 into the following parts:

- 33 (1) "Part 1. Title, Purpose, Definitions," which shall include G.S. 108A-120 and
34 G.S. 108A-121.
- 35 (2) "Part 2. UPL and Equity Assessments," which shall include G.S. 108A-122,
36 108A-123, 108A-124, and 108A-125. The Revisor of Statutes shall change
37 references within these statutory sections to "this Article" to instead be "this
38 Part" whenever appropriate.
- 39 (3) "Part 3. General Provisions," which shall include G.S. 108A-126, 108A-127,
40 and 108A-128.
- 41 (4) "Part 4. Medicaid Expansion Assessment," which shall include
42 G.S. 108A-131, which is enacted by subsection (b) of this section.

43 **SECTION 7.(b)** Article 7 of Chapter 108A of the General Statutes is amended by
44 adding the following new section:

45 **"§ 108A-131. Medicaid Expansion Assessment.**

46 (a) Assessment Imposed. – In order for the hospital providers of this State to pay for the
47 State share of the service and administrative costs of Medicaid expansion, each hospital that is
48 not fully exempt from both the equity assessment and UPL assessment under G.S. 108A-122(c)
49 is subject to an additional assessment under this section.

50 (b) Calculation and Notice. – The Secretary shall annually calculate the assessment
51 amount for a hospital by multiplying the total State share of service and administrative costs,

1 net of savings to other State programs, of Medicaid expansion by the hospital provider's
2 percentage of all Medicaid services billed by all hospitals subject to this section. The Secretary
3 shall notify each hospital that is assessed of the following:

4 (1) The total State share of service and administrative costs of Medicaid
5 expansion for the applicable time period.

6 (2) The hospital's share of all Medicaid services billed.

7 (3) The amount assessed to the hospital.

8 (c) Priority of Assessment. – The assessment collected under this section is in addition
9 to and has greater priority than any assessment that might be collected from a hospital provider
10 under Part 2 of this Article. As such, if federal limitations on the total amount of Medicaid
11 assessments that may be collected require the State to reduce the amount of assessments
12 collected, then the assessment amounts for the equity and UPL assessments shall be reduced
13 prior to reducing the amount collected under this section.

14 (d) Appeal. – A hospital may appeal an assessment determination through a
15 reconsideration review. The pendency of an appeal does not relieve a hospital from its
16 obligation to pay an assessment amount when due.

17 (e) Definition. – As used in this section, the phrase "Medicaid expansion" means the
18 Medicaid expansion provided in the Affordable Care Act, P.L. 111-148, as amended, for which
19 the enforcement was ruled unconstitutional by the U.S. Supreme Court in *National Federation*
20 *of Independent Business, et al. v. Sebelius, Secretary of Health and Human Services, et al.*, 132
21 S. Ct. 2566 (2012)."

22 **SECTION 7.(c)** G.S. 108A-124 is amended by adding a new subsection to read:

23 "(e) Reduced Payments. – Notwithstanding subsection (d) of this section, if all or any
24 part of a payment required to be made under this section cannot be made because the
25 assessment amounts are reduced pursuant to G.S. 108A-131(c), then the Secretary shall not
26 refund the assessment proceeds and instead shall reduce the payments as follows:

27 (1) Equity payments shall not be reduced until UPL payments have been
28 reduced to zero.

29 (2) Reductions to the UPL and equity payments shall be applied to each
30 hospital's payment on a pro rata basis."

31 **SECTION 8.** Effective Date. – This act becomes effective July 1, 2017.