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SENATE BILL DRS35134-MRxa-18 (01/12)

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

Sponsors: Senators Clark and Bryant (Primary Sponsors).

Referred to:

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 – Section 3 of S.L. 2013-5 is repealed.

SECTION 2. Medicaid Expansion Required. – Beginning January 1, 2018, the Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to all people under age 65 who have incomes equal to or less than one



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1 hundred thirty-three percent (133%) of the federal poverty guidelines. The medical assistance
2 provided to persons in this Affordable Care Act expansion group shall consist of the coverage
3 described in 42 U.S.C. § 1396a(k)(1).

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

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

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

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

40 Utilizing funds generated by the Medicaid Expansion Assessment, there is
41 appropriated from the General Fund to the Department of Health and Human Services, Division
42 of Medical Assistance, the sum of two hundred seventy-three million three hundred
43 ninety-seven thousand four hundred seventy-five dollars (\$273,397,475) in recurring funds for
44 the 2018-2019 fiscal year to pay for service costs associated with Medicaid expansion.
45 Utilizing funds generated from savings to other State programs, there is appropriated from the
46 General Fund to the Department of Health and Human Services, Division of Medical
47 Assistance, the sum of twenty-one million three hundred forty-seven thousand eight hundred
48 twenty-five dollars (\$21,347,825) in recurring funds for the 2018-2019 fiscal year to pay for
49 service costs associated with Medicaid expansion. These funds shall provide a State match for
50 an estimated three billion four hundred sixty-eight million two hundred fifty-four thousand
51 seven hundred dollars (\$3,468,254,700) in federal funds for the 2018-2019 fiscal year, and

1 those federal funds are hereby appropriated to the Division of Medical Assistance to pay for
2 service costs associated with Medicaid expansion.

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

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

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

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

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

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

42 **"§ 108A-131. Medicaid Expansion Assessment.**

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

47 (b) Calculation and Notice. – The Secretary shall annually calculate the assessment
48 amount for a hospital by multiplying the total State share of service and administrative costs,
49 net of savings to other State programs, of Medicaid expansion by the hospital provider's
50 percentage of all Medicaid services billed by all hospitals subject to this section. The Secretary
51 shall notify each hospital that is assessed of the following:

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

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

4 (3) The amount assessed to the hospital.

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

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

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

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

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

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

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

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