GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2013

Legislative Fiscal Note

BILL NUMBER: Senate Bill 4 (Third Edition)

SHORT TITLE: No N.C. Exchange/No Medicaid Expansion.

SPONSOR(S): Senators Rucho, Apodaca, and Brown

		FISCAL I			
		(\$ in mil	lions)		
	▼ Ye	es 🗆 No	□ No Estimat	te Available	
Γ	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
State Impact					
General Fund Revenues:		mpact cannot be dete			
General Fund Expenditures:	Fiscal i	mpact cannot be dete	ermined. See Assur	mptions and Method	ologies.
Special Fund Revenues:		mpact cannot be dete			
Special Fund Expenditures:	Fiscal i	mpact cannot be dete	ermined. See Assur	mptions and Method	ologies.
State Positions:					
NET STATE IMPACT	Fiscal impa	act cannot be dete	rmined. See Assu	imptions and Metl	hodologies.
Local Impact					
Revenues:	Figgal im	l l pact cannot be dete	rminad Saa Assuu	mptions and Matho	dologies
Expenditures:		pact cannot be dete			
Expenditures.	1 iscai ili		Ininica. See Assur		dologics.
NET LOCAL IMPACT	Fiscal impa	act cannot be dete	rmined. See Assu	ımptions and Metl	hodologies.
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PRINCIPAL DEPAR	RTMENT(S) & PI	ROGRAM(S) AFFE	CTED:		
Department of Health a	and Human Services	, Department of Insur	rance, Office of Info	rmation Technology S	Services
EFFECTIVE DATE	This bill is effective	when it becomes law			
TECHNICAL CONS	IDERATIONS:				
Yes - See Technical Co		nn			
TECHNICAL CONS	IDERATIONS:		•		

BILL SUMMARY: In this version of Senate Bill 4 (S.B. 4), No N.C. Exchange/No Medicaid Expansion, the General Assembly reserves the authority to define the State's level of interaction, if

any, with the federally facilitated Health Benefit Exchange that will operate in North Carolina. Agencies, departments, and institutions cannot enter any contracts or commit any resources for the provision of any services related to the federally facilitated Health Benefit Exchange without authorization from the General Assembly. The Department of Insurance and the Department of Health and Human Services (DHHS) are directed to cease all expenditures funded by Exchange-related grants, but this version allows the Departments to draw down grant funds to reimburse the State for any unpaid expenditures allowed under the grants. The Department of Insurance is also directed to notify the Secretary of the United States Department of Health and Human Services that the State will no longer be drawing down Exchange-related grant funds, but not to impact grant funding for premium review.

DHHS is directed to ensure that the North Carolina Families Accessing Services through Technology (NC FAST) information system can provide Medicaid eligibility determinations for the federally facilitated Health Benefit Exchange that will operate in North Carolina. If the State can identify an amount not to exceed \$5 million in matching funds from prior appropriations for NC FAST, then the Department is directed to seek available 90/10 Medicaid funding to support NC FAST's Medicaid eligibility determinations for the federally facilitated Health Benefit Exchange.

The bill also prohibits expansion of the State's Medicaid eligibility. It does not allow any department, agency, or institution of the State to expand Medicaid eligibility standards without General Assembly direction.

The bill is effective when it becomes law.

ASSUMPTIONS AND METHODOLOGY:

Office of Information Technology Services

At the request of DHHS, the Office of Information Technology Services (ITS) has purchased equipment in the amount of \$8,062,732 to support the implementation of a federally facilitated Exchange. ITS must either be reimbursed for this equipment or adjust their rates to all agencies to recover the costs associated with the equipment purchase.

Department of Health and Human Services

This fiscal analysis does not assume any loss of increased Federal Medical Assistance Payment receipts authorized under the federal Affordable Care Act for expanded eligibility to certain income-level eligible individuals for Medicaid coverage given that the General Assembly has not to date authorized in law expanded coverage under the State's Medicaid program.

North Carolina Families Accessing Services through Technology (NC FAST)

DHHS estimates the cost to develop an interface with the federally facilitated Health Benefits Exchange at \$45.7 million. They anticipate spending \$23.2 million during fiscal year 2012-2013, with the balance being expended the following year.

Expenditures by month are shown in the chart below:

Monthly Summary of Costs								
Category	Dec-13	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	TOTAL
Staffing								
Accenture		\$175.582	\$796.096	\$1.375.416	\$1.610.768	\$1.663.568	\$1.718.616	\$7.340.046
State Employees		\$17,933	\$91,405	\$132,574	\$132,574	\$132,574	\$132,574	\$639,635
State		\$33.600	\$187.200	\$384.000	\$384.000	\$393.600	\$393.600	\$1.776.000
Curam		\$48,000	\$348,000	\$720,000	\$720,000	\$720,000	\$720,000	\$3.276.000
Staffing Total		\$275,115	\$1,422,701	\$2.611.990	\$2.847.342	\$2,909,742	\$2,964,790	\$13.031.681
Miscellaneous								
Rent. Chairs.		\$58,404	\$58.404	\$58,404	\$58,404	\$58.404	\$58,404	\$350,424
Miscellaneous		\$58,404	\$58,404	\$58,404	\$58,404	\$58,404	\$58,404	\$350.424

Purchases (PO h	as been issued	l for ALL the Be	low)					
ITS	\$8.062.732							\$8.062.732
PC's	\$51,650							\$51,650
PC Software	\$34.871							\$34.871
Oracle		\$1.625.040						\$1.625.040
Purchases Total	\$8,149,252	\$1,625,040	\$0	\$0	\$0	\$0	\$0	\$9,774,292

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Totals	88 149 252 I	XI 95X 559	\$1.4X1.105	\$2,670,394	82 905 746	\$2.96X 146	83 023 194	\$23,156,398

State funding requirements to support these expenditures can vary, depending on a number of factors:

- Whether or not the State is allowed to draw down grant funds from previously awarded grants to cover expenditures that DHHS has already made. These include all of the items shown as purchase orders in the preceding chart. The Office of Information Technology Services has already purchased these items for DHHS.
- Whether the State is allowed to use the all of the previously awarded grants to fund the interface, only allowed to use grant funds for expenses incurred prior to the passage of this bill, or not allowed to use any of the grant funding.
- Whether or not the State is able to obtain federal support for 90 percent of the cost through the Centers for Medicare and Medicaid Services (CMS). If CMS agrees to fund 90 percent of the project as part of its Medicaid eligibility determination funding for NC FAST, the State will only need to fund ten percent of the cost.
- If the State can obtain a 90/10 federal/State match from CMS, whether or not CMS will allow the State to make the funding retroactive to December, the month during which the State first began incurring expenses related to the interface.
- If the State can obtain a 90/10 federal/State match, how quickly the State can submit the Advance Planning Document Update (APDU) to CMS. Once the document is submitted, CMS has 60 days to approve the document or ask further questions.

The chart below shows the costs associated with each of these scenarios.

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Category	Dec-13	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	TOTAL
Assumes Access to 10	0% Exchang	e Grant						
100% Exchange Funding					\$2,905,746	\$2,968,146	\$3,023,194	\$8,897,086
State Funding Required	\$8,149,252	\$1,958,559	\$1,481,105	\$2,670,394				\$14,259,31
Totals	\$8,149,252	\$1,958,559	\$1,481,105	\$2,670,394	\$2,905,746	\$2,968,146	\$3,023,194	\$23,156,398
Since the federal governmen	t has already ar	proved the Exc	hange grant. D	HHS will be able	e to be reimburs	ed by DOI for s	tate expenses in	curred for
December through March,	• •		0 0					
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Assumes Funded Parti	ally with 100	% Exchange	Grant and I	Partially with	New Federa	l 90/10% Gr	ant	
Federal	un, wun 100	70 Exclusing	Giuni una i	tirtini, with	1101/1104014	170/10/0 01	\$2,720,875	\$2,720,87
State Funding Required	\$8,149,252	\$1,958,559	\$1,481,105	\$2,670,394	\$2,905,746	\$2,968,146	\$302,319	\$20,435,52
Totals	\$8,149,252	\$1,958,559	\$1.481.105	\$2,670,394	\$2,905,746	\$2,968,146	\$3,023,194	\$23,156,39
Since the federal governmen	t has already ar	proved the Exc	hange grant. D	HHS will be able	e to be reimburs	ed by DOI for s	tate expenses in	curred for
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December and January which	ch would total \$	9,774,292 . Ad	ditionally, withi	n the APDU for	the new Federa	al 90/10, DHHS	will seek appro	val to receive
December and January which federal funding retroactive to	ch would total \$ o January. This	9,774,292. Ad retroactive peri	ditionally, withind	n the APDU for allowed, howeve	the new Federa er they are not g	al 90/10, DHHS uaranteed to re	will seek appro- ceive approval f	val to receive for this.
December and January whice federal funding retroactive to Assuming the feds approve	ch would total \$ o January. This the request for	9,774,292. Ad retroactive periretroactive fund	ditionally, withind	n the APDU for allowed, howeve	the new Federa er they are not g	al 90/10, DHHS uaranteed to re	will seek appro- ceive approval f	val to receive for this.
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December and January whise federal funding retroactive to Assuming the feds approve through May, which would to Assumes No Funding for Federal State Funding Required Totals Within the APDU for the ne is typically allowed, however	ch would total \$ o January. This the request for total \$9,323,020 crom the 100 \$8,149,252 \$8,149,252 w federal 90/10 r they are not go	9,774,292. Ad retroactive periretroactive fund b. % Exchange \$1,958,559 \$1,958,559 Grant, DHHS surranteed to received.	ditionally, within iod is typically a ting to January Grant and F \$1,481,105 \$1,481,105 will seek approveive approval for	the APDU for allowed, however, the state would state would state would state would state with the state would be state with the state w	the new Federa er they are not g if be reimbursed with the New \$2,905,746 \$2,905,746 leral funding ret ing the feds app	al 90/10, DHHS tuaranteed to re 90% of the exp. v Federal 90/ \$2,968,146 \$2,968,146 roactive to Decrove the reques	will seek approceive approval fenditures from 3 10% Grant \$2,720,875 \$302,319 \$3,023,194 This retite to retroactive	\$2,720,87 \$20,435,52 \$23,156,396 \$20,625,52
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Department of Insurance

State-Based Exchange

Session Law 2011-391 directed the Departments of Insurance and Health and Human Services to collaboratively plan for the implementation of the federal Affordable Care Act. As lead agency, the Department of Insurance (DOI) applied for and received two planning grants totaling \$13,396,018 to plan for a state-based exchange system to implement the federal law.

As of January 2013, \$8.3 million had been spent or encumbered from the two planning grants. Approximately \$5 million remained unspent. Much of these expenditures were in contractual agreements with consultants engaged in analyses and planning for a state-based exchange system, for the Department of Health and Human Services, and the NC Institute of Medicine. Additionally, there are nine filled time-limited positions paid for out of these grants.

In addition, a third grant was applied for in November 2012 and notification of award has been received totaling \$73.5 million; as of February 1, 2013, contracts have not been executed for this grant. This grant application to the federal government contained an accompanying letter from Governor Perdue stating the anticipated exchange model for 2014 was for a State Partnership

Exchange and further restated the intent of the state was "to establish and operate a state-based health benefits exchange..." It is not known at this time whether any of these funds will be available for North Carolina if the State decides to opt for a federally facilitated Health Benefits Exchange.

SOURCES OF DATA: Office of State Budget and Management, Department of Health and Human Services, Department of Insurance

TECHNICAL CONSIDERATIONS:

- 1. These estimates depend on the accuracy of DHHS's determination of the scope of the effort required to develop the interface with the federally facilitated Health Benefit Exchange.
- 2. Current NC FAST operations and maintenance cost projections may not cover the additional support requirements created by the addition of the interface.

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APPROVED BY:

Mark Trogdon, Director **Fiscal Research Division**

DATE: February 14, 2013



Signed Copy Located in the NCGA Principal Clerk's Offices