



# PROGRAM EVALUATION DIVISION

## NORTH CAROLINA GENERAL ASSEMBLY

August 2017

Report No. 2017-07

## 2017 Legislation Enacted Based on PED Reports

The Program Evaluation Division (PED) is a central, non-partisan unit of the Legislative Services Commission of the North Carolina General Assembly that assists the General Assembly in fulfilling its responsibility to oversee government functions. The mission of the Program Evaluation Division is to evaluate whether public services are delivered in an effective and efficient manner and in accordance with the law. PED primarily supports legislative oversight by conducting independent evaluations of state government as directed by the Joint Legislative Program Evaluation Oversight Committee (JLPEOC). At the conclusion of the evaluation process, PED generates a report that typically makes recommendations for legislative action.

**During its 2017 legislative session, the North Carolina General Assembly enacted legislation derived from four reports published by PED.**

Report	Allotment-Specific and System-Level Issues Adversely Affect North Carolina's Distribution of K-12 Resources (November 2016)
<b>Summary</b>	North Carolina distributes state funds for the operation of K-12 public schools through a system consisting of 37 different allotments, each of which reflects a component of the education delivery model. For example, there are separate allotments for classroom teachers, textbooks, administration, and transportation. In Fiscal Year 2014–15 the Department of Public Instruction distributed \$8.4 billion in state funds to Local Education Agencies and charter schools through the allotment system. The Program Evaluation Division (PED) found issues—with individual allotments and issues that span numerous allotments—ranging from unintended consequences of particular methods and formulaic policies and procedures to a lack of rationale for the factors used to determine how resources are distributed. PED also identified deficiencies with the allotment system as a whole resulting from overall system complexity and lapses in the control environment.
<b>Recommendations</b>	The General Assembly should either (1) overhaul the system for how resources are distributed by transitioning to a weighted student funding model that uses individual students as the building blocks for developing a state's education budget or (2) reform the current system by addressing individual allotment deficiencies and providing direction to improve transparency and accountability.
<b>Legislation</b>	<p><b>Session 2017-57, Section 7.23D</b> creates the Joint Legislative Task Force on Education Finance Reform (Task Force), outlines its composition, and tasks it with studying various weighted student formula funding models and developing a new funding model for the elementary and secondary public schools of North Carolina based on a weighted student formula.</p> <p><b>Session Law 2017-57, Section 7.12</b> stipulates that no funds shall be transferred out of the limited English proficiency allotment category.</p>

**Report****Medicaid Program Integrity Section is Not Cost-Effectively Identifying and Preventing Fraud, Waste, and Abuse (November 2016)****Summary**

The Program Integrity (PI) Section of North Carolina's Medicaid program is charged with detecting and preventing fraud, waste, and program abuse and ensuring that taxpayer dollars are used appropriately. The Program Evaluation Division found that due in part to a lack of access to valid and reliable claim payment data, the number of fraud referrals made by the PI Section has declined in recent years. Additionally, the lack of a formal risk assessment process and performance management information has limited the Section's cost-effectiveness. Finally, the PI Section is neither effectively monitoring Medicaid recipient eligibility determinations nor effectively utilizing available information gleaned from reviews of eligibility determinations and medical service claims.

**Recommendations**

The General Assembly should amend state law to adopt a uniform methodology to measure the severity of errors; provide incentives for county social services departments (county DSS offices) to ensure accuracy of eligibility determinations; require the identification of alternatives to increase amounts recouped from overpayments and percentage of fraud referrals accepted; develop a corrective action process for providers selected for enhanced oversight; and produce an annual performance report and work plan.

**Legislation**

**Session Law 2017-57, Section 11H.15** directs the Department of Health and Human Services (DHHS) to enhance the capability of the NC Tracks Medicaid Management Information System (MMIS) to include the ability to detect and prevent fraud, waste, and abuse prior to the payment of claims.

**Session 2017-57, Section 11H.20**

- directs DHHS to review information concerning changes in circumstances that may affect medical assistance beneficiaries' eligibility to receive benefits and make the information available to the relevant county DSS office;
  - directs county DSS offices to determine if the information received from DHHS indicates a change in circumstances that may affect a beneficiary's eligibility to receive medical assistance benefits and sets forth terms for providing notice of discrepancies to affected beneficiaries; and
  - allows DHHS to enter into arrangements with state agencies or outside vendors to obtain information concerning individuals enrolled in Medicaid that indicates a change in circumstances that may affect the individuals' eligibility to receive Medicaid benefits.
-

<b>Report</b>	<b>Timeliness of Medicaid Eligibility Determinations Declined Due to Challenges Imposed by NC FAST and Affordable Care Act Implementation (April 2016)</b>
<b>Summary</b>	In North Carolina, county departments of social services (county DSS offices) perform Medicaid eligibility determinations under the supervision of the Department of Health and Human Services (DHHS). County DSS offices failed to meet North Carolina’s timeliness standard for processing Medicaid applications in Fiscal Years 2013–14 and 2014–15. The decrease in timeliness during these years coincided with a workload increase for county DSS offices stemming from conditions created by North Carolina Families Accessing Services through Technology (NC FAST) implementation and enactment of the Affordable Care Act. NC FAST offers DHHS the opportunity to proactively manage and monitor county DSS offices, yet the department needs additional resources and authority to hold counties accountable.
<b>Recommendations</b>	The General Assembly should authorize DHHS to intervene and take over county administration of Medicaid eligibility determinations when warranted; direct DHHS to report on the timeliness of determinations for Fiscal Years 2015–16 and 2016–17; and appropriate \$300,000 to DHHS to support utilization of NC FAST data for performance measurement and evaluation.
<b>Legislation</b>	<b>Session Law 2017-57, Section 11H.21</b> directs DHHS to report annually on the timeliness of Medicaid eligibility determinations and on corrective actions conducted and planned for assisting county DSS offices with meeting timeliness standards.

<b>Report</b>	<b>North Carolina Needs a Coordinated Strategy to Guide the Changing Landscape of Veterans Programs (September 2014)</b>
<b>Summary</b>	In State Fiscal Year 2013–14, North Carolina state agencies and public higher education institutions operated 23 programs for veterans, 11 of which spent \$53.9 million solely on veterans and their families. However, few of these programs track outcome data, and therefore the State cannot determine the extent to which they improve the lives of their intended beneficiaries. Although the Governor recently created a Working Group on veterans via executive order, North Carolina lacks a coordinated and comprehensive effort to support veterans in the State.
<b>Recommendations</b>	The General Assembly should establish the Task Force on Veterans, Service Members and their Families in statute, direct this group to develop and implement a statewide strategic plan to track and improve services for veterans and their families, direct state entities to track and report information to the Task Force, and create a legislative oversight committee to monitor and oversee the implementation of this plan.
<b>Legislation</b>	<b>Session Law 2017-29</b> requires the Veterans’ Affairs Commission to adopt a comprehensive strategic plan to enhance benefits for veterans and their dependents and to require the Department of Military and Veterans Affairs to study program outcomes for military veterans and their families.

Also in 2017, JLPEOC endorsed bills based on recommendations from four other PED reports. The bills were not enacted before the end of the legislative session.

Report	Report Recommendations	Non-Enacted Legislation
Enhanced Oversight of Service Contracts Can Help Ensure Cost-Effective Performance (January 2016)	The General Assembly should require state agencies to submit business cases for high-value services for review and approval in accordance with established criteria and direct the Division of Purchase and Contract to implement a system to monitor state agency-administered contracted services.	H16/S90 An act to enhance oversight of state service contracts
Opportunities Exist to Increase the Accountability and Independence of the Board of Review (March 2016)	The General Assembly should transfer staff from the Division of Employment Security (DES) to the Board of Review (the Board); direct the Board to develop policies and procedures; and direct DES to work with the Board to track and collect necessary data.	H22/S44 An act to enhance the independence and efficiency of the Board of Review
Unfunded Actuarial Liability for Retiree Health is Large, but State Could Save Up to \$64 Million Annually by Shifting Costs to Medicare Advantage Plans (July 2015)	The General Assembly could appoint a joint committee to determine which other options to pursue in light of financial and legal considerations.	H24/S22 An act to establish a joint committee to study the unfunded liability of the Retiree Health Benefit Fund
Overnight Respite Pilot at Adult Day Care Facilities Perceived as Favorable, but Lacked Objective Measures of Success (October 2014)	The General Assembly should require state agencies and institutions initiating pilot projects to adhere to standards established by the School of Government at the University of North Carolina at Chapel Hill.	H70/S43 An act to require all pilot projects mandated by the General Assembly to use standards developed by the School of Government.

For more information on this follow-up report, please contact Josh Love at [josh.love@ncleg.net](mailto:josh.love@ncleg.net).

50 copies of this public document were printed at a cost of \$1.80 or \$0.04 per copy.