



PROGRAM EVALUATION DIVISION

NORTH CAROLINA GENERAL ASSEMBLY

December 2019

Report No. 2019-11

2019 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 PED is to evaluate whether programs or activities of a state agency, or programs or activities of a non-state entity conducted or provided using state funds, are operated and delivered in the most effective and efficient manner and in accordance with 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 2019 legislative session, the North Carolina General Assembly enacted five session laws derived from seven reports published by PED.

| Report | Changing How North Carolina Controls Liquor Sales Has Operational, Regulatory, and Financial Ramifications (February 2019) |
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| Summary | Ending government control of retail liquor sales would require decisions related to dissolving local alcohol beverage control (ABC) boards and closing ABC stores, determining regulatory requirements for private retail businesses to sell liquor, and developing an implementation schedule. Ending government control of wholesale liquor sales would further require establishing requirements for a private liquor warehouse and distribution system. In lieu of a complete overhaul, the State could choose to further modernize the current system to increase efficiency and profitability. |
| Recommendations | If the General Assembly wishes to change North Carolina's system for regulating liquor, it should appoint a joint legislative commission to determine how state and local government roles would change. If it wishes to modernize the current system, the General Assembly should direct local ABC boards located in counties with multiple boards to form merged ABC boards; eliminate the purchase-transportation permit for liquor; monitor the selection of a new ABC warehouse contract; and provide local ABC boards with more flexibility to charge delivery fees, serve special order customers, open ABC stores on Sundays, and offer in-store tastings of liquor products. |
| Legislation | Session Law 2019-182 allows ABC stores to offer in-store spirituous liquor tastings; restricts the creation of new ABC systems; exempts mixed beverage permittees from the purchase-transportation permit requirement; requires the ABC Commission to submit a written report to oversight committee chairs detailing progress made in obtaining a contract for state warehouse services; and specifies that if a local board provides delivery of spirituous liquor to a mixed beverages permittee, the local board may charge a fee to the permittee. |

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| Reports | <p>1. Improvements to Inmate Healthcare Reimbursement and Internal Processes Could Save \$5.6 Million Annually (October 2018)</p> <p>2. Modifications to Inmate Pharmacy Purchasing and Monitoring Could Save \$13.4 Million Annually (October 2018)</p> |
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| Summary | <p>Report 1: North Carolina provides health services to inmates at a cost of \$322 million annually, an \$89 million increase from 10 years ago. PED found DPS Health Services is partially funded by lapsed salaries and cannot demonstrate results from cost-containment efforts. PED also found statutory and contractual payment arrangements cause the State to reimburse community providers at rates higher than other states; chronically vacant health services positions and subsequent reliance on contract staff costs \$25 million annually; limited use of telemedicine has contributed to unnecessary costs; and DPS Health Services’s methods for pursuing federal Medicaid funding for community services have been unsuccessful.</p> <p>Report 2: PED found North Carolina’s failure to participate in a federal discount program caused the State to pay more for inmate prescription medications than necessary. Such an arrangement could save the State approximately \$13.3 million annually. PED also found DPS cannot ensure the effectiveness of expenditures for certain high-cost medications that inmates are allowed to keep on their person; does not collect sufficient data to take disciplinary action when medications are lost during inmate transfer; and does not perform adequate data collection and oversight of prescriptions filled at local pharmacies.</p> |
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| Recommendations | <p>Report 1: The General Assembly should direct DPS Health Services to conduct a salary study of healthcare positions, seek federal reimbursement for Medicaid-related staff activities, modify data collection and submission methods for Medicaid applications, develop a plan for implementing telemedicine, and improve supply management practices and services. Further, the General Assembly should modify state law to reduce community provider reimbursement rates and consider establishing a data analysis position and realigning DPS Health Services’s base budget.</p> <p>Report 2: The General Assembly should direct DPS and UNC to establish a 340B discount program and direct DPS to require certain high-cost medications not be kept on an inmate’s person; establish controls and collect and analyze data on medications lost during transfer; and develop statewide contracts with retail pharmacies for local medication purchases and develop an oversight mechanism.</p> |
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| Legislation | <p>Session Law 2019-135 directs DPS to</p> <ul style="list-style-type: none"> • develop a plan to increase the use of the Central Prison Healthcare Complex; • randomly audit high-volume contracted providers; • work with the Department of Health and Human Services (DHHS) to enable social workers in DPS Health Services to qualify for and receive federal reimbursement for performing administrative activities related to Medicaid eligibility for inmates; • issue requests for proposals to develop an electronic supply inventory management system; • work with the Office of State Human Resources to jointly study the salaries of all in-prison health services employees; • establish a telemedicine pilot program to provide physical health services to inmates in remote correctional facilities; and • establish and implement a partnership with DHHS in order for DPS to be eligible to operate as a 340B covered entity. |
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| Report | Inadequate Data Collection and Cost Recovery Practices Limit Economy of Healthcare for Safekeepers (October 2018) |
| Summary | County inmates who are referred by county sheriffs to be temporarily housed at a state prison are known as Safekeepers. PED found that the Department of Public Safety (DPS) does not systematically collect, analyze, or report data on usage of healthcare services by Safekeepers, which prevents DPS Health Services from (1) determining if these inmates' medical needs exceed the capabilities of county jail facilities, (2) conducting analysis of the rationales for admissions, and (3) calculating healthcare costs. North Carolina can recoup state Safekeeper costs by withholding Statewide Misdemeanant Confinement Program (SMCP) payments for services provided by counties for state inmates; however, counties are not required to participate in SMCP. |
| Recommendations | The General Assembly should modify state law to (1) change the per diem rate for counties that fail to reassume custody of their Safekeepers in a timely manner and direct DPS Health Services to collect additional data, update the rates charged for medical services, and require that all facilities bill counties for Safekeeper services and (2) prohibit non-SMCP-participating counties with past-due balances from transferring Safekeepers to prisons for medical purposes and modify the process by which Safekeepers are admitted to prisons for medical purposes. |
| Legislation | Session Law 2019-171 directs DPS Health Services to maintain records of Safekeepers; specifies that the county from which a prisoner is removed for the purposes of receiving health care outside of the prison facility shall pay (1) transportation and custody costs associated with transfer at the same mileage reimbursement rate and hourly custody rate that are reimbursed pursuant to the SMCP and (2) the cost of sick call encounters at the rate charged to state prison inmates; and modifies state law related to the processes by which Safekeepers are admitted to prisons for medical or mental health purposes. |

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| Report | Opportunities Exist to Enhance the Effectiveness of the Educator Preparation Program Data Reporting System (June 2018) |
| Summary | An Educator Preparation Program (EPP) provides individuals with the knowledge, skills, and training to meet teacher licensure requirements and secure teaching positions. PED found the current approach to EPP reporting produces documents that are difficult to interpret, lacking uniformity and helpful data indicators. PED found the State has the data and advisory bodies needed to adopt a streamlined approach to reporting in the form of a performance-based, weighted model that reflects state priorities and assesses EPP performance individually and comparatively. PED built such a model to demonstrate the State's ability to enhance reporting. |
| Recommendations | The General Assembly should add an EPP employment performance standard to state law; direct adoption of a small group exception for EPP sanctioning; direct development of a plan for incorporating private EPP data into the UNC Educator Quality Dashboard and management thereof; and require the development of a performance-based, weighted model for reporting EPP data to replace current reporting efforts. |
| Legislation | Session Law 2019-149 makes changes to the indicators that are required to be contained in the annual performance reports submitted by EPPs to the State Board of Education and directs the State Board to adopt a rule to establish a small group exception for circumstances in which there is a risk of identifying individual program participants. |

Report**Administrative Missteps and Lack of Expertise Led to Delays and \$3.7 Million in Unnecessary State Spending for Hurricane Matthew Recovery (May 2019)****Follow-Up Memo on Disaster Recovery Funds Administered by the Department of Public Safety (June 2019)****Summary**

Report: The General Assembly appropriated \$300.9 million for Hurricane Matthew recovery across two acts. Additionally, the State received significant federal assistance, including Community Development Block Grant-Disaster Recovery (CDBG-DR) funds. However, as of December 2018, the State had only spent 1% (\$3.4 million) of its total CDBG-DR award (\$236.5 million). Several issues delayed distribution of these funds, including non-compliant contracts (which resulted in the State spending approximately \$3.7 million unnecessarily), limited institutional knowledge, and program design issues and changes in implementation strategies. CDBG-DR funds also can be used as the non-federal share for various disaster recovery funds that require a state match when states demonstrate a need. However, General Assembly appropriations demonstrated the State could meet this need, thereby preventing it from using CDBG-DR funds to fulfill match requirements. PED also found that information reported to the General Assembly on disaster recovery efforts is not performance-oriented and does not allow for comparison and identification of areas needing improvement.

Follow-Up Memo: Concerns regarding oversight of state funds awarded to the North Carolina Community Development Initiative (the Initiative) for disaster recovery efforts led to a follow-up review into DPS's administration and the Initiative's implementation of these funds. This review led to the identification of issues involving alignment of the use of funds with the legislative directive, initial selection and distribution of funds by DPS (specifically in making up-front, lump-sum payments of \$5.35 million to the Initiative), enforcement of provisions with the contractual agreement, and maximizing assistance to hurricane survivors.

Recommendations

The General Assembly should require DPS to establish mechanisms to ensure future CDBG-DR contracts are United States Department of Housing and Urban Development-compliant, develop standardized performance metrics, and notify various entities when CDBG-DR might be used for matching purposes; consider a core number of DPS staff as permanent employees; and modify DPS's statutory reporting requirements.

Legislation**Session Law 2019-250:**

- directs DPS to notify relevant entities of the potential for using CDBG-DR funds to cover the nonfederal share of matching requirements for eligible programs; develop performance metrics and report to various entities; and direct the Office of Recovery and Resiliency to make recommendations regarding staffing levels for CDBG-DR administration and resiliency planning and coordination; and
- establishes limits on the amounts that can be paid up-front for directed grants for disaster recovery efforts.

For more information on this follow-up report, please contact Josh Love at josh.love@ncleg.gov.

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