

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015**

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SENATE BILL 354

Short Title: North Carolina Healthcare Jobs Initiative. (Public)

Sponsors: Senators Bryant, Clark (Primary Sponsors); Smith-Ingram and Waddell.

Referred to: Rules and Operations of the Senate.

March 23, 2015

A BILL TO BE ENTITLED

1 AN ACT TO EXPAND ELIGIBILITY FOR THE MEDICAID PROGRAM TO INCLUDE
2 ALL PEOPLE UNDER AGE SIXTY-FIVE WHO HAVE INCOMES EQUAL TO OR
3 BELOW ONE HUNDRED THIRTY-THREE PERCENT OF THE FEDERAL POVERTY
4 LEVEL, TO APPROPRIATE FUNDS FOR COSTS ASSOCIATED WITH THE
5 EXPANSION, TO ACCOUNT FOR THE SAVINGS TO OTHER STATE PROGRAMS
6 AS A RESULT OF THE EXPANSION, TO APPROPRIATE THE ADDITIONAL
7 FUNDS GENERATED FROM EXPANSION TO THE MEDICAID REBASE, AND TO
8 HAVE THE STATE SHARE OF COSTS OF THE EXPANSION FUNDED BY
9 HOSPITAL PROVIDERS.
10

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

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

17 Whereas, the economic benefits of Medicaid expansion would extend beyond the
18 health care industry because health care workers purchase goods and services in the broader
19 economy; and

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

22 Whereas, this act provides for a new hospital assessment to be used as the
23 temporary funding source to pay for the additional costs of Medicaid expansion with the intent
24 that the assessment be phased-out as the tax revenues generated by the economic benefits from
25 expansion of the Medicaid program are realized; Now, therefore,
26 The General Assembly of North Carolina enacts:

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28 S.L. 2013-5 is repealed.

29 **SECTION 2. Medicaid Expansion Required.** – Effective January 1, 2016, the
30 Department of Health and Human Services, Division of Medical Assistance, shall provide
31 Medicaid coverage to all people under age 65 who have incomes equal to or less than one
32 hundred thirty-three percent (133%) of the federal poverty guidelines. The medical assistance
33 provided to persons in this Affordable Care Act expansion group shall consist of the coverage
34 described in 42 U.S.C. § 1396a(k)(1). Specifically, persons in the expansion group who have
35 access to employer-sponsored insurance shall be eligible for assistance with the cost of



1 insurance through the existing North Carolina Health Insurance Premium Payment (NC HIPPP)
2 program.

3 **SECTION 3. Appropriation to Pay for Administrative Costs.** – There is
4 appropriated from the General Fund to the Department of Health and Human Services, Division
5 of Medical Assistance, the sum of six million five hundred ninety-one thousand two hundred
6 twenty-four dollars (\$6,591,224) for the 2015-2016 fiscal year and the sum of seven million
7 eight thousand seven hundred five dollars (\$7,008,705) for the 2016-2017 fiscal year for
8 administrative costs associated with the Medicaid expansion required by Section 2 of this act.
9 These funds shall provide a State match for an estimated nineteen million seven hundred
10 seventy-three thousand six hundred seventy-three dollars (\$19,773,673) in federal funds for the
11 2015-2016 fiscal year and twenty-one million twenty-six thousand one hundred sixteen dollars
12 (\$21,026,116) in federal funds for the 2016-2017 fiscal year, and those federal funds are hereby
13 appropriated to pay administrative costs associated with the Medicaid expansion required by
14 Section 2 of this act. If the amount of federal funds available for this purpose exceeds the
15 amounts set forth in this section, then the expenditure of State funds for this purpose shall be
16 reduced by an amount equal to the amount of excess federal funds that are available, and these
17 excess federal funds are hereby appropriated for the purposes described in this section.

18 **SECTION 4. Appropriation to Pay for Medicaid Services in 2016-2017.** –
19 There is appropriated from the General Fund to the Department of Health and Human Services,
20 Division of Medical Assistance, the sum of ninety-five million two hundred sixty-four
21 thousand four hundred eighty dollars (\$95,264,480) in recurring funds for the 2016-2017 fiscal
22 year as part of the Medicaid rebase. These funds shall provide a State match for an estimated
23 two billion four hundred forty-five million one hundred twenty-one thousand six hundred
24 forty-three dollars (\$2,445,121,643) in federal funds in the 2016-2017 fiscal year, and those
25 federal funds are hereby appropriated to the Division of Medical Assistance to pay for
26 Medicaid services.

27 **SECTION 5. Reductions to Reflect Savings in Other State Programs.** –
28 Because the Medicaid expansion required by this act will generate savings to other State
29 programs that currently serve the population to be included in the Medicaid expansion, the
30 following reductions are made:

- 31 (1) The appropriation to the Department of Health and Human Services,
32 Division of Mental Health, is hereby reduced by sixteen million three
33 hundred seventy-one thousand nine hundred ninety-three dollars
34 (\$16,371,993) in recurring funds for the 2016-2017 fiscal year. Since the
35 expansion of Medicaid services under this act will affect only half of the
36 2015-2016 fiscal year, this appropriation is hereby reduced by eight million
37 one hundred eighty-five thousand nine hundred ninety-seven dollars
38 (\$8,185,997) for the 2015-2016 fiscal year.
- 39 (2) The appropriation for the AIDS Drug Assistance Program (ADAP) in the
40 Department of Health and Human Services, Division of Public Health, is
41 hereby reduced by twenty-eight million six hundred seventeen thousand two
42 hundred forty-six dollars (\$28,617,246) in recurring funds for the 2016-2017
43 fiscal year. Since the expansion of Medicaid services under this act will
44 affect only half of the 2015-2016 fiscal year, this appropriation is hereby
45 reduced by fourteen million three hundred eight thousand six hundred
46 twenty-three dollars (\$14,308,623) for the 2015-2016 fiscal year.
- 47 (3) The appropriation for the Inmate Health Care program within the
48 Department of Public Safety, Division of Corrections, is hereby reduced by
49 seventeen million dollars (\$17,000,000) in recurring funds for the 2016-2017
50 fiscal year. Since the expansion of Medicaid services under this act will
51 affect only half of the 2015-2016 fiscal year, this appropriation is hereby

1 reduced by eight million five hundred thousand dollars (\$8,500,000) for the
2 2015-2016 fiscal year.

3 **SECTION 6. Appropriation of 2015-2016 Savings for Medicaid Rebase. –**

4 There is appropriated from the General Fund to the Department of Health and Human Services,
5 Division of Medical Assistance, the sum of twenty-four million four hundred three thousand
6 three hundred ninety-five dollars (\$24,403,395) for the 2015-2016 fiscal year as part of the
7 Medicaid rebase. This sum represents the General Fund savings for the 2015-2016 fiscal year
8 generated under this act.

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

- 12 (1) "Part 1. Title, Purpose, Definitions.", which shall include G.S. 108A-120 and
13 G.S. 108A-121.
- 14 (2) "Part 2. UPL and Equity Assessments.", which shall include G.S. 108A-122,
15 G.S. 108A-123, G.S. 108A-124, and G.S. 108A-125. The Revisor of Statutes
16 shall amend references within these statutory sections to "this Article" to
17 instead be "this Part" whenever appropriate.
- 18 (3) "Part 3. General Provisions.", which shall include G.S. 108A-126,
19 G.S. 108A-127, and G.S. 108A-128.
- 20 (4) "Part 4. Medicaid Expansion Assessment.", which shall include
21 G.S. 108A-131, which is enacted by subsection (b) of this section.

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

24 **§ 108A-131. Additional assessment amount for Medicaid expansion.**

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

29 (b) Calculation and Notice. – The Secretary shall annually calculate the assessment
30 amount for a hospital by multiplying the total State share of service and administrative costs of
31 Medicaid expansion by the hospital provider's percentage of all Medicaid services billed by all
32 hospitals subject to this section. The Secretary shall notify each hospital that is assessed of the
33 following:

- 34 (1) The total State share of service and administrative costs of Medicaid
35 expansion for the applicable time period.
- 36 (2) The hospital's share of all Medicaid services billed.
- 37 (3) The amount assessed to the hospital.

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

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

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

1 **SECTION 7.(c)** G.S. 108A-124 is amended by adding a new subsection to read:
2 "**(e)** Reduced Payments. – Notwithstanding subsection (d) of this section, if all or any
3 part of a payment required to be made under this section cannot be made because the
4 assessment amounts are reduced pursuant to G.S. 108A-131(c), then the Secretary shall not
5 refund the assessment proceeds and instead shall reduce the payments as follows:
6 **(1)** Equity payments shall not be reduced until UPL payments have been
7 reduced to zero.
8 **(2)** Reductions to the UPL and equity payments shall be applied to each
9 hospital's payment on a pro rata basis."
10 **SECTION 7.(d)** This section becomes effective July 1, 2016.
11 **SECTION 8. Effective Date.** – Except as otherwise provided, this act becomes
12 effective July 1, 2015.