

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2017**

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SENATE BILL 767

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

Sponsors: Senators Clark (Primary Sponsor); Foushee, J. Jackson, and Woodard.

Referred to: Rules and Operations of the Senate

May 30, 2018

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 478,000 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 – Section 3 of S.L. 2013-5 is repealed.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, 2019, 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 hundred thirty-three percent (133%) of the federal poverty guidelines. The medical assistance provided to



1 persons in this Affordable Care Act expansion group shall consist of the coverage described in
2 42 U.S.C. § 1396a(k)(1).

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

7 **SECTION 4.** Appropriation to Pay for Administrative Costs. – Utilizing funds
8 generated by the Medicaid Expansion Assessment, there is appropriated from the General Fund
9 to the Department of Health and Human Services, Division of Medical Assistance, the sum of
10 seventeen million three hundred ninety-five thousand one hundred sixty-four dollars
11 (\$17,395,164) in recurring funds for the 2018-2019 fiscal year to pay for administrative costs
12 associated with Medicaid expansion. These funds shall provide a State match for an estimated
13 forty-seven million three hundred fifteen thousand five hundred thirty-three dollars
14 (\$47,315,533) in federal funds for the 2018-2019 fiscal year, and those federal funds are
15 appropriated to pay for administrative costs associated with Medicaid expansion.

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

21 **SECTION 5.** Appropriation to Pay for Medicaid Services Costs. – The expansion of
22 Medicaid services under this act will affect only half of the 2018-2019 fiscal year. Utilizing funds
23 generated by the Medicaid Expansion Assessment, there is appropriated from the General Fund
24 to the Department of Health and Human Services, Division of Medical Assistance, the sum of
25 one hundred forty-three million five hundred four thousand seven hundred seventy dollars
26 (\$143,504,770) in recurring funds for the 2018-2019 fiscal year to pay for service costs associated
27 with Medicaid expansion. Utilizing funds generated from savings to other State programs, there
28 is appropriated from the General Fund to the Department of Health and Human Services,
29 Division of Medical Assistance, the sum of ten million one hundred seventy thousand nine
30 hundred ninety-two dollars (\$10,170,992) in recurring funds for the 2018-2019 fiscal year to pay
31 for service costs associated with Medicaid expansion. These funds shall provide a State match
32 for an estimated one billion two hundred eighty-three million four dollars (\$1,283,000,004) in
33 federal funds for the 2018-2019 fiscal year, and those federal funds are appropriated to the
34 Division of Medical Assistance to pay for service costs associated with Medicaid expansion.

35 If the amount of federal funds available to pay for service costs associated with
36 Medicaid expansion exceeds the amounts set forth in this section, then the expenditure of State
37 funds for this purpose shall be reduced by an amount equal to the amount of excess federal funds
38 that are available, and these excess federal funds are appropriated for the purposes described in
39 this section.

40 **SECTION 6.** Reductions to Reflect Savings in Other State Programs. – Because the
41 Medicaid expansion required by this act will generate savings to other State programs that
42 currently serve the population to be included in the Medicaid expansion, the appropriation to the
43 Department of Health and Human Services, Division of Mental Health, Developmental
44 Disabilities, and Substance Abuse Services, is reduced by ten million one hundred seventy
45 thousand nine hundred ninety-two dollars (\$10,170,992) in recurring funds for the 2018-2019
46 fiscal year.

47 **SECTION 7.(a)** The statutory sections of Article 7 of Chapter 108A of the General
48 Statutes, which are known as the "Hospital Provider Assessment Act," are reorganized into the
49 following Parts:

- 50 (1) "Part 1. Title, Purpose, Definitions," which shall include G.S. 108A-120 and
51 G.S. 108A-121.

1 (2) "Part 2. UPL and Equity Assessments," which shall include G.S. 108A-122,
2 108A-123, 108A-124, and 108A-125. The Revisor of Statutes shall change
3 references within these statutory sections to "this Article" to instead be "this
4 Part" whenever appropriate.

5 (3) "Part 3. General Provisions," which shall include G.S. 108A-126, 108A-127,
6 and 108A-128.

7 (4) "Part 4. Medicaid Expansion Assessment," which shall include
8 G.S. 108A-131, which is enacted by subsection (b) of this section.

9 **SECTION 7.(b)** Article 7 of Chapter 108A of the General Statutes is amended by
10 adding the following new section to read:

11 **"§ 108A-131. Medicaid Expansion Assessment.**

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

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

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

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

24 (3) The amount assessed to the hospital.

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

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

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

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

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

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

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

48 **SECTION 8.** Effective Date. – This act becomes effective July 1, 2018.