

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2017

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SENATE BILL 290

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

Sponsors: Senators Clark, Bryant (Primary Sponsors); Chaudhuri, Foushee, J. Jackson, Robinson, Van Duyn, Waddell, and Woodard.

Referred to: Rules and Operations of the Senate

March 16, 2017

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, AND TO HAVE THE STATE SHARE OF
7 COSTS OF THE EXPANSION FUNDED BY HOSPITAL PROVIDERS.
8

9 Whereas, Medicaid expansion would serve an additional 468,000 North Carolinians
10 in fiscal year 2017-2018 and an additional 630,000 North Carolinians in fiscal year 2018-2019;
11 and

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

15 Whereas, it is the intent of the General Assembly to utilize a hospital assessment, as
16 well as savings to other State programs, to pay for the State share of costs associated with
17 Medicaid expansion; and

18 Whereas, Medicaid expansion would increase demand for health care services
19 provided by health care providers, such as physicians, hospitals, pharmacies, and home health
20 agencies; and

21 Whereas, the increase in demand for health services under Medicaid expansion
22 would also lead to an increase in demand for health care facilities, products, and staffing
23 provided by an array of industries, such as construction and manufacturing, as well as various
24 health care related businesses; and

25 Whereas, the economic benefits of Medicaid expansion would extend beyond health
26 care and other associated industries, because these industries and their workers purchase goods
27 and services in the broader economy; and

28 Whereas, an increase in employment and an increase in the purchase of goods and
29 services would increase income taxes and sales and use taxes payable to the State; Now,
30 therefore,

31 The General Assembly of North Carolina enacts:

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33 S.L. 2013-5 is repealed.

34 **SECTION 2.** Medicaid Expansion Required. – Beginning January 1, 2018, the
35 Department of Health and Human Services, Division of Medical Assistance, shall provide



1 Medicaid coverage to all people under age 65 who have incomes equal to or less than one
2 hundred thirty-three percent (133%) of the federal poverty guidelines. The medical assistance
3 provided to persons in this Affordable Care Act expansion group shall consist of the coverage
4 described in 42 U.S.C. § 1396a(k)(1).

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

9 **SECTION 4.** Appropriation to Pay for Administrative Costs. – Utilizing funds
10 generated by the Medicaid Expansion Assessment, there is appropriated from the General Fund
11 to the Department of Health and Human Services, Division of Medical Assistance, the sum of
12 twenty-seven million four hundred eighty-one thousand one hundred ninety-nine dollars
13 (\$27,481,199) in recurring funds for the 2017-2018 fiscal year and forty-one million
14 twenty-three thousand five hundred twenty-one dollars (\$41,023,521) in recurring funds for the
15 2018-2019 fiscal year to pay for administrative costs associated with Medicaid expansion.
16 These funds shall provide a State match for an estimated twenty-nine million five hundred
17 eighteen thousand eight hundred one dollars (\$29,518,801) in federal funds for the 2017-2018
18 fiscal year and forty-two million nine hundred seventy-six thousand four hundred seventy-nine
19 dollars (\$42,976,479) in federal funds for the 2018-2019 fiscal year, and those federal funds are
20 hereby appropriated to pay for administrative costs associated with Medicaid expansion.

21 If the amount of federal funds available to pay for administrative costs associated
22 with Medicaid expansion exceeds the amounts set forth in this section, then the expenditure of
23 State funds for this purpose shall be reduced by an amount equal to the amount of excess
24 federal funds that are available, and these excess federal funds are hereby appropriated for the
25 purposes described in this section.

26 **SECTION 5.** Appropriation to Pay for Medicaid Services Costs. – The expansion
27 of Medicaid services under this act will affect only half of the 2017-2018 fiscal year. Utilizing
28 funds generated by the Medicaid Expansion Assessment, there is appropriated from the General
29 Fund to the Department of Health and Human Services, Division of Medical Assistance, the
30 sum of one hundred fourteen million eight hundred forty-eight thousand thirteen dollars
31 (\$114,848,013) in recurring funds for the 2017-2018 fiscal year to pay for service costs
32 associated with Medicaid expansion. Utilizing funds generated from savings to other State
33 programs, there is appropriated from the General Fund to the Department of Health and Human
34 Services, Division of Medical Assistance, the sum of six million seven hundred thirty-one
35 thousand eight hundred twenty-three dollars (\$6,731,823) in recurring funds for the 2017-2018
36 fiscal year to pay for service costs associated with Medicaid expansion. These funds shall
37 provide a State match for an estimated one billion two hundred forty-five million four hundred
38 twenty thousand one hundred sixty-four dollars (\$1,245,420,164) in federal funds for the
39 2017-2018 fiscal year, and those federal funds are hereby appropriated to the Division of
40 Medical Assistance to pay for service costs associated with Medicaid expansion.

41 Utilizing funds generated by the Medicaid Expansion Assessment, there is
42 appropriated from the General Fund to the Department of Health and Human Services, Division
43 of Medical Assistance, the sum of two hundred seventy-three million three hundred
44 ninety-seven thousand four hundred seventy-five dollars (\$273,397,475) in recurring funds for
45 the 2018-2019 fiscal year to pay for service costs associated with Medicaid expansion.
46 Utilizing funds generated from savings to other State programs, there is appropriated from the
47 General Fund to the Department of Health and Human Services, Division of Medical
48 Assistance, the sum of twenty-one million three hundred forty-seven thousand eight hundred
49 twenty-five dollars (\$21,347,825) in recurring funds for the 2018-2019 fiscal year to pay for
50 service costs associated with Medicaid expansion. These funds shall provide a State match for
51 an estimated three billion four hundred sixty-eight million two hundred fifty-four thousand

1 seven hundred dollars (\$3,468,254,700) in federal funds for the 2018-2019 fiscal year, and
2 those federal funds are hereby appropriated to the Division of Medical Assistance to pay for
3 service costs associated with Medicaid expansion.

4 If the amount of federal funds available to pay for service costs associated with
5 Medicaid expansion exceeds the amounts set forth in this section, then the expenditure of State
6 funds for this purpose shall be reduced by an amount equal to the amount of excess federal
7 funds that are available, and these excess federal funds are hereby appropriated for the purposes
8 described in this section.

9 **SECTION 6.** Reductions to Reflect Savings in Other State Programs. – Because
10 the Medicaid expansion required by this act will generate savings to other State programs that
11 currently serve the population to be included in the Medicaid expansion, the following
12 reductions are made:

13 (1) Because the expansion of Medicaid services under this act will affect only
14 half of the 2017-2018 fiscal year, the appropriation to the Department of
15 Health and Human Services, Division of Mental Health, Developmental
16 Disabilities, and Substance Abuse Services, is hereby reduced by six million
17 seven hundred thirty-one thousand eight hundred twenty-three dollars
18 (\$6,731,823) in recurring funds for the 2017-2018 fiscal year. The
19 appropriation to the Department of Health and Human Services, Division of
20 Mental Health, Developmental Disabilities, and Substance Abuse Services,
21 is hereby reduced by thirteen million four hundred sixty-three thousand six
22 hundred forty-five dollars (\$13,463,645) in recurring funds for the
23 2018-2019 fiscal year.

24 (2) The appropriation for the Inmate Health Care program within the
25 Department of Public Safety, Division of Adult Correction, is hereby
26 reduced by seven million eight hundred eighty-four thousand one hundred
27 eighty dollars (\$7,884,180) in recurring funds for the 2018-2019 fiscal year.

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

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

33 (2) "Part 2. UPL and Equity Assessments," which shall include G.S. 108A-122,
34 108A-123, 108A-124, and 108A-125. The Revisor of Statutes shall change
35 references within these statutory sections to "this Article" to instead be "this
36 Part" whenever appropriate.

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

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

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

43 **"§ 108A-131. Medicaid Expansion Assessment.**

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

48 (b) Calculation and Notice. – The Secretary shall annually calculate the assessment
49 amount for a hospital by multiplying the total State share of service and administrative costs,
50 net of savings to other State programs, of Medicaid expansion by the hospital provider's

1 percentage of all Medicaid services billed by all hospitals subject to this section. The Secretary
2 shall notify each hospital that is assessed of the following:

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

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

6 (3) The amount assessed to the hospital.

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

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

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

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

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

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

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

30 **SECTION 8.** Effective Date. – This act becomes effective July 1, 2017.