North Carolina Medical Society
Leadership in Medicine

# NCMS Summary of Key Issues in 2015-17 State Budget

On September 18, the Governor signed the state's $21.7 billion budget bill, HB 97, into law. There were many provisions related to health care included in the final draft. Take a look at our summary of key issues identified by the NCMS.

**Medicaid reform**

While the majority of discussion regarding Medicaid reform took place outside of the budget (see our announcement on HB372), a number of provisions on Medicaid reform were included in the budget.

**Heath Information Exchange (HIE) Funding**

- Provides for $8 million in state appropriations matched by $8 million in recurring federal funding for the HIE in fiscal year 2015-2016 and 2016-2017.
- Establishes a successor HIE Network, requiring all Medicaid providers to be connected by Feb. 1, 2018 and all other entities receiving state funds for the provision of health services by June 1, 2018. Providers and hospitals must submit demographic and clinical information at least twice daily through the HIE Network.
- Establishes a state-controlled HIE Authority to oversee and administer the HIE Network and an Advisory Board to provide consultation to the Authority.
- Successor HIE Network will gradually become and remain 100 percent receipt-supported by establishing reasonable participation fees.
- The HIE Network data and products derived from the data will remain the sole property of the state. The Authority shall not allow data it receives to be used or disclosed for commercial purposes.

**Medicaid transformation funding**

- The budget includes a portion of the necessary funding to implement the transition from fee-for-service to a capitated payment system for Medicaid as discussed in HB 372. Another appropriation will be necessary in the future.
- Creates a trigger mechanism, stating if HB 372 is not passed by 3/1/16 then the current Medicaid and NC Health Choice primary care case management (PCCM) program will be discontinued. At that time, rates paid to primary care and OB/GYN providers also would increase to 100 percent of Medicare rates to fill the primary care case management fee gap caused by discontinuation of the PCCM program. However, NCMS fully expects the legislature to pass Medicaid reform in HB 372 prior to ending the legislative session.

- Reinstates a mandatory publication of an annual Medicaid report (last completed in 2008).
- Creates a Medicaid contingency reserve account to be used only for budget shortfalls in the Medicaid program that may occur during the 2015-2016 fiscal year.

**Prescription drug abuse Continuing Medical Education (CME) requirement**

- The budget reflects legislators' concerns over the growing problem of prescription drug abuse in North Carolina. The budget directs health care provider occupational licensing boards, including the Medical Board, to require continuing education on the abuse of controlled substances as a condition of license renewal for health care providers who prescribe controlled substances. This has been proposed multiple times in recent history. The NCMS generally opposes these types of mandates, however, with prescription drug abuse growing in North Carolina and the use of the Controlled Substances Reporting System (CSRS) remaining low, we expect this provision to be implemented in the near future. The NCMS will work with the NC Medical Board to ensure a fair and transparent application of this new requirement.

**Improvements to the Controlled Substances Reporting System**

- The budget calls for various improvements to the CSRS system, including enabling a state-wide connection capability, which will greatly improve the functionality and utility of the information stored in this database.

**New Prescription Drug Abuse Advisory Committee**

- Establishes a new Prescription Drug Abuse Advisory Committee in the NC Department of Health and Human Services (NCDHHS) to create and implement a new statewide strategic plan to combat prescription drug abuse.

**Increased funding for inpatient psychiatric beds**

- To address growing shortages of inpatient psychiatric beds in the last year, additional funding for fiscal years 2015-2016 and 2016-2017 was provided to purchase additional new or existing local inpatient psychiatric beds or bed days not currently funded by or through LME/MCOs. In addition, the Secretary of NCDHHS may use funds allocated to LME/MCOs for community-based mental health, developmental disabilities and substance abuse services to purchase additional local inpatient psychiatric beds or bed days. These funds will be appropriated to NCDHHS for the purchase of local inpatient psychiatric beds or bed days and shall not be allocated to the LME/MCOs.

**Increases in Medical Examiner fees**

- Provides for an increased autopsy fee of $2,800 (from $1,250) as well as an increase in the Medical Examiner fee of $200 (up from $100).

**Amending the Health Care Cost Reduction and Transparency Act**

- Requires annual (rather than quarterly) reporting by hospitals and ASCs subject to the law.
- Directs the Medical Care Commission to adopt rules establishing no fewer than 10 quality measures for facilities to report under the Transparency Act, none of which must be those established by the Joint Commission.

**Graduate Medical Education (GME) funding**

- Effective Jan. 1, 2016 eliminates reimbursement for Graduate Medical Education (GME) when made in addition to a Medicaid provider's DRG Unit Value (base) rate under the methodology as defined in the current Medicaid State Plan. This change is subject to review and approval by the Centers for Medicare & Medicaid Services (CMS). This provision also requires the Division of Medical Assistance to submit a report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division by March 1, 2016 identifying options for alternative funding streams to replace the GME reimbursement eliminated by this section.

**Workers compensation**

- The budget instructs the Industrial Commission to study the effects of adopting a uniform prescription drug formulary in the workers' compensation system. The study and findings are to be reported to the General Assembly by April 2016.
- Another provision extends limitations on physician-dispensed Class II and III drugs to also apply to Class IV and V drugs.

**Department of Insurance/Managed Care**

- Creates a new requirement that commercial health plans cover the cost of services necessary to synchronize medications when the patient, provider and pharmacist agree synchronization of multiple prescriptions is necessary in the treatment of chronic illnesses.

**Miscellaneous Provisions**

- **Paramedic Pilot.** Provides $350,000 to implement a community paramedicine pilot program. This pilot will focus on using paramedics to provide care with the goal of avoiding nonemergency use of emergency rooms and 911 services.
- **Maternal/Child Health Grants.** Provides grant funding to improve maternal and child health through a competitive grants process. NCDHHS shall be the lead agency responsible for controlling all funding and contracts which shall be designed to improve birth outcomes, improve overall health status of children from birth to five years of age, and lower the state's infant mortality rates through a competitive grant process.
- **Funds for local inpatient psychiatric beds**. Increases funding to purchase additional new or existing local inpatient psychiatric beds or bed days not currently funded through LME/MCOs. In addition, NCDHHS may use funds allocated to LME/MCOs for community-based mental health, developmental disabilities, and substance abuse services to purchase additional local inpatient psychiatric beds or bed days. Appropriation is to NCDHHS and not the LME/MCOs.
- **ADATC funding.** Terminates all direct state appropriations for state-operated alcohol and drug abuse treatment centers (ADATCs) beginning with the 2015-2016 fiscal year and instead appropriates funds to HHS, Division of Mental Health, Developmental Disabilities and Substance Abuse Services for community services in order to allow LME/MCOs to assume responsibility for managing the full array of publicly funded substance abuse services including inpatient services delivered through ADATCs.
- **Planned Parenthood**. Stipulates that no state money could be spent to renew or extend contracts with any organization that provides family planning, pregnancy prevention or adolescent parenting programs if it also performs abortions, which would effectively end two programs operated by Planned Parenthood in North Carolina in Fayetteville and Wilmington.