

Budget stalemate broken as House, Senate reach Medicaid deal

In a rare legislative occurrence, the Senate held a budget conference committee in public on Wednesday to a standing-room only crowd, inviting House budget conferees to negotiate major differences on teacher's salaries and education funding, Medicaid spending, lottery revenues, and end of year budget reversions. House conferee chair Rep. Nelson Dollar offered up the House's third proposal, setting aside the House's mini-budget plans for a more robust spending proposal. Of particular significance was the House's willingness to increase Medicaid funding for last year and this year to the mid-point between the worst and best projections. Earlier House proposals projected a rosier Medicaid outlook, while the Senate's plans called for higher Medicaid spending, meaning fewer state dollars for other priorities. The House also agreed to the mid-point in reversions.

Rep. Dollar noted that the House's third proposal contains the same salary enhancements for teachers and state employees as that adopted by the chamber in its initial budget, along with the House's original position on education funding. The House agrees with the revised lottery revenue consensus forecast of \$116 million in additional dollars, but maintains its increased anticipated lottery proceeds based on higher advertising. Likewise, the House noted its intent to avoid any additional cuts in health and human services, turning aside once again the Senate's proposal to cut Medicaid services and eligibility.

The House includes its earlier plans to move the SBI, animal welfare, and rape crisis services to the N.C. Department of Public Safety but maintain the state crime lab under the Attorney General's purview.

The House did emphasize that overall spending in other areas such as Justice and Public Safety, Natural and Economic Resources, and General Government were all in line with earlier Senate proposals, paving the way for the subcommittee chairs to finalize line-item spending decisions. Other agreements on revenue availability include the phase out of the \$500,000 net Medicaid benefit to counties as a part of the 2007 Medicaid Relief Swap.

The Senate recessed its committee for roughly 45 minutes to consider and respond to the House's proposal. Upon reconvening, the Senate accepted the House's Medicaid spending proposal, marking agreement on the total level of spending available for budget adjustments to the second year of the state's biennial budget. Please see [here](#) for the agreement and differences of the budget proposals.

Not all budget decisions were reached in consensus. The Senate rejected the House's plans for additional lottery advertising dollars, and with it, its plans for restricting where lottery advertising dollars might be used. Teacher's salary increases, the level of teachers' assistants and the fate of teacher tenure remain in dispute, as does the array of, and delivery mechanism for, Medicaid services.

Regardless, the agreement on Medicaid cost overruns and rebase signal significant movement on budget negotiations, with the "big chairs" and appropriations subcommittee chairs charged with finalizing budget plans over the next week, in anticipation of adjourning the 2013-14 legislative session.

Both chambers have announced no committees will meet next week while conferees finalize the 2014-2015 budget, and the House will hold only skeleton sessions. With no bills coming out of committees, it is unlikely the Senate will hold session, either. While the Speaker stated that House committees have completed their work, there are always a few meetings called in the last days to wrap up loose

ends.

Remaining issues for NCACC include a budget provision in the House version, but not the Senate, that directs the Dept. of Health and Human Services to issue an RFP for a statewide system of delivering non-emergency medical transport services, and a handful of regulatory reform issues. Of course, other surprises always emerge in the waning days of session!

- Click [here](#) for a list of budget conferees.

House Approves Medicaid Modernization Plan – Incorporates ACO & MCO Components

The House unanimously approved its Medicaid reform plan on Wednesday, garnering support from the medical industry, Republicans and Democrats alike. [H1181](#) appears as a hybrid of the Senate's plans to move all Medicaid services to a capitated managed care organization (MCO) model and the House's plans to create voluntary accountable care organizations (ACO) similar to those set up to oversee Medicare services. Building upon the Community Care of North Carolina's primary care medical home model, the House's modernization plan calls for "provider-led capitated health plans to manage and coordinate the care for the majority of the Medicaid population by July 1, 2020." The plan would initially limit cost overrun risks to these provider networks, but would move toward a full capitated payment system that would limit state risk to enrollment numbers and enrollment risk.

N.C. DHHS, through its Division of Medical Assistance, is charged with developing a detailed plan with stakeholder input to implement the reform goals, under the existing Medicaid-specific funding streams if possible.

As a part of the modernization effort, DMA and the Division of Mental Health must examine the feasibility of a demonstration pilot to provide a single payment to an entity that would cover both physical and behavioral health services of Medicaid recipients with intellectual and developmental disabilities. An earlier proposal to require the demonstration was set aside for the feasibility study.

As a reminder to our readers, the Senate's original budget proposal called for movement toward a true capitated managed care system that was to be overseen by a new state Medicaid and Health Choice entity outside of N.C. DHHS.

House wants to study issue of privacy on websites

A bill requiring counties and cities to remove personal information from any public website upon request by nonelected law and court officials was converted into a study of public website privacy issues, to be overseen by the N.C. Courts Commission. [S78](#), as unanimously adopted by the House and sent to the Senate for its consideration and concurrence, directs the Courts Commission to study development of a process to remove personal information on county and city websites, including what information might be subject to removal, the process for removal, public records disclosures, and the costs to counties and cities for compliance. The bill's earlier version was met with considerable resistance from the mortgage, banking, and real estate communities, as county property and tax records are the primary data source for real estate transactions.

After protracted debate, House passes Coal Ash bill

The House today passed [S729](#) (Coal Ash Management Act) after several hours of debate and 28 proposed amendments over two days. Among other provisions, the legislation sets deadlines for Duke Energy to clean up ash ponds, but allows the secretary of the NCDENR to extend those deadlines. It directs which of the ponds are to be addressed first and establishes parameters for further prioritizing sites, establishes a commission to oversee the closure of ponds and management of residuals, directs the governor to appoint the commission chairman, prohibits local government ordinances that regulate the management of coal ash except for those that are generally applicable to development, prohibits new and expanded coal ash ponds, and requires groundwater monitoring and assessment in areas near ash ponds. It does not address who will pay for the cleanup, a topic of great debate throughout the progress of the bill. The bill will be returned to the Senate, which is unlikely to agree to the House changes.

Bills of Interest

Bill: [H1025](#)
Sponsor: Torbett (R108)
Title: DOT/DMV CHANGES
Comments: The House concurred with Senate action to require criminal penalties, on top of civil fines, for failure to comply with new ethics reporting requirements for MPO and RPO members. The state Ethics Commission will refer to prosecution for a Class 1 misdemeanor charge any individuals who fail to file the required Statement of Economic Interest within 60 days following the noticed due date of filing.

Bill: [S797](#)
Sponsor: Brock (R34)
Title: 911 BOARD/BACK-UP PSAP
Comments: The House approved the Senate's 911 PSAP back-up plans in a 113-1 vote. By July 1, 2016, a primary "PSAP must have a plan and means for 911 call-taking in the event 911 calls cannot be received and processed in the primary PSAP. The plan must identify the alternative capability of taking the redirected 911 calls" but does not require a PSAP to build an alternative PSAP back-up facility. Failure to include a back-up plan and means will likely result in reduced or terminated 911 fee distributions.

- Johanna Reese, Government Relations Director
- David F. Thompson, Executive Director

