

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2021

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SENATE BILL 408  
Judiciary Committee Substitute Adopted 5/5/21  
PROPOSED HOUSE COMMITTEE SUBSTITUTE S408-CSTRxfr-15 [v.2]  
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Short Title: Rural Healthcare Access & Savings Plan Act.

(Public)

Sponsors:

Referred to:

March 31, 2021

1 A BILL TO BE ENTITLED  
2 AN ACT TO DIRECT OVERSIGHT, STUDY, AND MODERNIZATION OF MEDICAID IN  
3 NORTH CAROLINA, TO ENSURE TAXPAYER SAVINGS, AND TO ENSURE ACCESS  
4 TO HEALTHCARE FOR WORKING NORTH CAROLINIANS.

5 The General Assembly of North Carolina enacts:

6  
7 **JOINT LEGISLATIVE COMMITTEE ON MEDICAID RATE MODERNIZATION AND**  
8 **SAVINGS**

9 **SECTION 1.1.(a)** There is created the Joint Legislative Committee on Medicaid  
10 Rate Modernization and Savings (Committee).

11 **SECTION 1.1.(b)** The Committee shall consist of six members of the Senate  
12 appointed by the President Pro Tempore of the Senate and six members of the House of  
13 Representatives appointed by the Speaker of the House of Representatives. The President Pro  
14 Tempore of the Senate and the Speaker of the House of Representatives shall each appoint a  
15 cochair of the Committee from among its membership.

16 **SECTION 1.1.(c)** The purpose of the Committee is to do all of the following:

17 (1) Using specific data provided from the Department of Health and Human  
18 Services, Division of Health Benefits (DHB), to substantiate any information  
19 provided by DHB, assess whether DHB is appropriately completing all of the  
20 following tasks:

- 21 a. Monitoring the number of individuals enrolled in Medicaid and  
22 reporting that information to the General Assembly on a regular basis.  
23 b. Assessing whether Medicaid beneficiaries are appropriately using  
24 covered services, including preventative care services.  
25 c. Determining whether prepaid health plans and local management  
26 entities/managed care organizations (LME/MCOs) are appropriately  
27 incentivized to properly manage Medicaid beneficiaries enrolled in  
28 standard benefit plans and BH IDD tailored plans, as applicable,  
29 including any beneficiaries who are temporarily enrolled in the  
30 applicable plan.

31 (2) Consider, and make a recommendation to the General Assembly regarding,  
32 the plan to modernize Medicaid put forth by the Department of Health and  
33 Human Services (DHHS), as required by Section 1.2 of this act. The Secretary  
34 of DHHS shall present this plan to the Committee at a Committee meeting to



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1 take place December 15, 2022. The Committee shall vote on its  
2 recommendation at that time.

3 **SECTION 1.1.(d)** The Committee shall meet upon the call of its cochairs. A quorum  
4 of the Committee is a majority of its members. No action may be taken except by a majority vote  
5 at a meeting at which a quorum is present. The Committee, while in the discharge of its official  
6 duties, may exercise all powers provided for under G.S. 120-19 and G.S. 120-19.1 through  
7 G.S. 120-19.4. Members of the Committee shall receive per diem, subsistence, and travel  
8 allowance as provided in G.S. 120-3.1. Any expenses of the Committee shall be considered  
9 expenses incurred for the joint operation of the General Assembly.

10 **SECTION 1.1.(e)** The Legislative Services Officer shall assign professional and  
11 clerical staff to assist the Committee in its work. The Director of Legislative Assistants of the  
12 House of Representatives and the Director of Legislative Assistants of the Senate shall assign  
13 clerical support to the Committee.

14 **SECTION 1.1.(f)** The Committee may submit its recommendations, along with a  
15 copy of the plan from DHHS and any recommended legislation, to the members of the Senate  
16 and the House of Representatives by filing a copy of the proposed legislation with the Office of  
17 the President Pro Tempore of the Senate and the Office of the Speaker of the House of  
18 Representatives. The Committee shall terminate upon the adjournment of its December 15, 2022,  
19 meeting.

## 20 **MEDICAID MODERNIZATION PLAN**

21 **SECTION 1.2.(a)** The Department of Health and Human Services (DHHS) is  
22 directed to develop a Medicaid Modernization Plan (Plan). No later than December 15, 2022, the  
23 Plan shall be submitted, along with any recommended legislative changes necessary to  
24 implement the plan, to the Joint Legislative Oversight Committee on Medicaid Rate  
25 Modernization and Savings (Committee), as established in Section 1.1 of this act. DHHS shall  
26 make a presentation that includes the details of its Plan to that Committee on December 15, 2022.  
27 The Plan shall include all of the following:

- 28 (1) The adjustment to Medicaid eligibility to allow individuals described in  
29 section 1902(a)(10)(A)(i)(VIII) of the Social Security Act to qualify for  
30 Medicaid coverage with a start date to be proposed by the Secretary of DHHS.  
31 Individuals who are not United States citizens shall not be covered except to  
32 the extent required by federal law.
- 33 (2) Proposed legislation to discontinue Medicaid coverage for the individuals  
34 described under subdivision (1) of this subsection if (i) the federal share of the  
35 cost of providing the coverage becomes less than ninety percent (90%) or (ii)  
36 the nonfederal share of the cost of the Medicaid coverage for these individuals  
37 cannot be fully funded through the following sources: revenue from the gross  
38 premiums tax under G.S. 105-228.5 due to this coverage, increases in  
39 intergovernmental transfers due to this coverage, the health system assessment  
40 enacted in Section 1.6 of this act, and savings to the State attributable to this  
41 coverage that correspond to State General Fund budget reductions to other  
42 State programs.
- 43 (3) Proposed legislation to enact increased hospital assessments to pay the  
44 nonfederal share of an increase to Medicaid hospital reimbursements through  
45 the Hospital Access and Stabilization Program (HASP), that meets all  
46 requirements contained in Section 1.10 of this act.
- 47 (4) Any proposed necessary refinements to the health system assessment enacted  
48 in Section 1.6 of this act.
- 49 (5) An investment of one billion dollars (\$1,000,000,000) in nonrecurring funds  
50 to address the opioid, substance abuse, and mental health crisis in this State  
51

1 using savings from the additional federal Medicaid match available under the  
2 American Rescue Plan Act (ARPA). This investment must be informed by  
3 recommendations made by a task force established by DHHS consisting of  
4 leaders from the faith-based community, law enforcement, mental health  
5 professionals, drug addiction specialists, LME/MCOs operating BH IDD  
6 tailored plans, emergency management services, and any other stakeholders,  
7 as determined by DHHS.

8 (6) Projections of savings in the existing Medicaid program from implementation  
9 of the Plan.

10 (7) Specific proposals to increase access to preventive care for Medicaid  
11 enrollees.

12 (8) Specific proposals to increase access to healthcare in rural areas of the State.

13 **SECTION 1.2.(b)** In accordance with Section 1.1(f) of this act, at the December 15,  
14 2022, meeting of the Committee, the Committee may make recommendations regarding this  
15 report to the General Assembly.

16 **SECTION 1.2.(c)** The General Assembly shall take action on or after December 16,  
17 2022, to enact legislation to implement the Medicaid Modernization Plan, in whole or in part. No  
18 portion of the Medicaid Modernization Plan shall be implemented without legislative action  
19 taken on or after December 16, 2022, expressly authorizing implementation.  
20

## 21 **ARPA TEMPORARY SAVINGS FUND**

22 **SECTION 1.3.** The ARPA Temporary Savings Fund is established as a nonreverting  
23 special fund in the Department of Health and Human Services, Division of Health Benefits  
24 (DHB). The ARPA Temporary Savings Fund shall consist of any savings realized by DHB as a  
25 result of federal receipts arising from the enhanced federal medical assistance percentage  
26 (FMAP) available to the State under section 9814 of the American Rescue Plan Act of 2021, P.L.  
27 117-2 (ARPA). Upon receipt by DHB of any federal receipts arising from that enhanced FMAP,  
28 DHB is directed to deposit the savings associated with those receipts into the ARPA Temporary  
29 Savings Fund. Funds in the ARPA Temporary Savings Fund may be allocated or expended only  
30 upon an act of appropriation by the General Assembly. It is the intent of the General Assembly  
31 that at least one billion dollars (\$1,000,000,000) of these funds be expended on addressing mental  
32 health and substance abuse issues in this State.  
33

## 34 **HEATH SYSTEM ASSESSMENTS**

35 **SECTION 1.5.(a)** Each private acute care hospital, as defined in G.S. 108A-145.3,  
36 and each public acute care hospital, as defined in G.S. 108A-145.3, that is operating in North  
37 Carolina is subject to an assessment of fifty-two thousandths percent (0.052%) of its hospital  
38 costs, as defined in G.S. 108A-145.3, for the State fiscal quarter beginning January 1, 2023. This  
39 hospital assessment shall be imposed by the Department of Health and Human Services in  
40 accordance with the procedures for hospital assessments under Part 1 of Article 7B of Chapter  
41 108A of the General Statutes. From the proceeds of this assessment, the Department of Health  
42 and Human Services shall use the sum of two million dollars (\$2,000,000), and all corresponding  
43 matching federal funds, to reimburse county departments of social services for additional costs  
44 incurred by the county in preparation to implement the adjustments to Medicaid eligibility  
45 described in Section 1.2(a)(1) of this act.

46 **SECTION 1.5.(b)** Subsection (a) of this section becomes effective January 1, 2023,  
47 and expires March 31, 2023.

48 **SECTION 1.5.(c)** Each private acute care hospital, as defined in G.S. 108A-145.3,  
49 and each public acute care hospital, as defined in G.S. 108A-145.3, that is operating in North  
50 Carolina is subject to an assessment of five hundred sixteen thousandths percent (0.516%) of its  
51 hospital costs, as defined in G.S. 108A-145.3, for the State fiscal quarter beginning April 1, 2023.

1 This hospital assessment shall be imposed by the Department of Health and Human Services  
2 (DHHS) in accordance with the procedures for hospital assessments under Part 1 of Article 7B  
3 of Chapter 108A of the General Statutes. From the proceeds of this assessment, DHHS shall use  
4 the sum of two million dollars (\$2,000,000), and all corresponding matching federal funds, to  
5 reimburse county departments of social services for additional costs incurred by the county to  
6 implement the adjustments to Medicaid eligibility described in Section 1.2(a)(1) of this act.

7 **SECTION 1.5.(d)** Subsection (c) of this section becomes effective on the effective  
8 date of the adjustments to Medicaid eligibility described in Section 1.2(a)(1) of this act and  
9 expires June 30, 2023. If the effective date occurs after June 30, 2023, then no assessment shall  
10 be imposed under subsection (c) of this section and no payments shall be made to the county  
11 departments of social services under subsection (c) of this section.

12 **SECTION 1.6.(a)** G.S. 108A-145.3 reads as rewritten:

13 **"§ 108A-145.3. Definitions.**

14 The following definitions apply in this Article:

15 ...

16 (4a) Consumer Price Index. – The most recent Consumer Price Index for All Urban  
17 Consumers for the South Region published by the Bureau of Labor Statistics  
18 of the United States Department of Labor available on March 1 of the previous  
19 State fiscal year.

20 ...

21 (5a) Expansion nonfederal share. – One minus the percentage specified in 42  
22 U.S.C. § 1396d(y)(1), expressed as a decimal.

23 ...

24 (12b) Newly eligible individual. – As defined in 42 C.F.R. § 433.204.

25 ...."

26 **SECTION 1.6.(b)** Article 7B of Chapter 108A of the General Statutes is amended  
27 by adding a new Part to read:

28 "Part 3. Health System Assessments.

29 **"§ 108A-147.1. Public hospital health system assessment.**

30 (a) The public hospital health system assessment imposed under this Part shall apply to  
31 all public acute care hospitals.

32 (b) The public hospital health system assessment shall be assessed as a percentage of each  
33 public acute care hospital's hospital costs. The assessment percentage shall be calculated  
34 quarterly by the Department of Health and Human Services in accordance with this Part. The  
35 percentage for each quarter shall equal the aggregate health system assessment collection amount  
36 under G.S. 108A-147.3 multiplied by the public hospital historical assessment share and divided  
37 by the total hospital costs for all public acute care hospitals holding a license on the first day of  
38 the assessment quarter.

39 **"§ 108A-147.2. Private hospital health system assessment.**

40 (a) The private hospital health system assessment imposed under this Part shall apply to  
41 all private acute care hospitals.

42 (b) The private hospital health system assessment shall be assessed as a percentage of  
43 each private acute care hospital's hospital costs. The assessment percentage shall be calculated  
44 quarterly by the Department of Health and Human Services in accordance with this Part. The  
45 percentage for each quarter shall equal the aggregate health system assessment collection amount  
46 under G.S. 108A-147.3 multiplied by the private hospital historical assessment share and divided  
47 by the total hospital costs for all private acute care hospitals holding a license on the first day of  
48 the assessment quarter.

49 **"§ 108A-147.3. Aggregate health system assessment collection amount.**

1 (a) The health system assessment collection amount is an amount of money that is  
2 calculated by subtracting the total amount of the offset components under subsection (c) of this  
3 section from the total amount of the cost components under subsection (b) of this section.

4 (b) The total amount of the cost components is the sum of all of the following:

5 (1) The service cost component under G.S. 108A-147.5.

6 (2) The administration component under G.S. 108A-147.7.

7 (c) The total amount of the offset components is the sum of all of the following:

8 (1) The gross premiums tax offset component under G.S. 108A-147.11.

9 (2) The intergovernmental transfer offset component under G.S. 108A-147.15.

10 **"§ 108A-147.5. Service cost component.**

11 The service cost component is an amount of money that is the net service expenditures  
12 calculated under this section multiplied by the expansion nonfederal share. Net service  
13 expenditures are calculated from the data reported to CMS on Form CMS-64 for the preceding  
14 quarter. Net service expenditures are the service expenditures attributable to newly eligible  
15 individuals after subtracting each of the following:

16 (1) The rebates attributable to newly eligible individuals.

17 (2) The expenditures under the graduate medical education methodology in the  
18 Medicaid State Plan that are attributable to newly eligible individuals.

19 **"§ 108A-147.7. Administration component.**

20 (a) The administration component is an amount of money that consists of a State  
21 administration subcomponent and a county administration subcomponent.

22 (b) The State administration subcomponent is three million three hundred thousand  
23 dollars (\$3,300,000) for each quarter of the 2023-2024 State fiscal year. For each subsequent  
24 State fiscal year, the State administration subcomponent shall be increased over the prior year's  
25 quarterly amount by the Consumer Price Index.

26 (c) The county administration subcomponent is two million two hundred thousand  
27 dollars (\$2,200,000) for each quarter of the 2023-2024 State fiscal year, three million one  
28 hundred thousand dollars (\$3,100,000) for each quarter of the 2024-2025 State fiscal year, and  
29 three million three hundred thousand dollars (\$3,300,000) for each quarter of the 2025-2026 State  
30 fiscal year. For each State fiscal year after the 2025-2026 State fiscal year, the county  
31 administration subcomponent shall be increased over the prior year's quarterly amount by the  
32 Consumer Price Index.

33 (d) The administration component is calculated by adding together the State  
34 administration subcomponent and the county administration subcomponent.

35 **"§ 108A-147.11. Gross premiums tax offset component.**

36 Beginning January 1, 2024, the gross premiums tax offset component is twenty million  
37 dollars (\$20,000,000) for each quarter of that State fiscal year and for every State fiscal year  
38 thereafter.

39 **"§ 108A-147.15. Intergovernmental transfer offset component.**

40 (a) The intergovernmental transfer offset component is the sum of the following  
41 subcomponents:

42 (1) The University of North Carolina Hospitals at Chapel Hill subcomponent is  
43 ten million one hundred twenty-nine thousand dollars (\$10,129,000) for each  
44 quarter of the 2023-2024 State fiscal year. For each State fiscal year after the  
45 2023-2024 fiscal year, this subcomponent shall be increased over the prior  
46 year's quarterly amount by the market basket percentage.

47 (2) The East Carolina University Brody School of Medicine affiliated hospital  
48 subcomponent is four million two hundred eighty-nine thousand dollars  
49 (\$4,289,000) for each quarter of the 2023-2024 State fiscal year. For each  
50 State fiscal year after the 2023-2024 fiscal year, this subcomponent shall be

1 increased over the prior year's quarterly amount by the market basket  
2 percentage.

3 (3) The public hospital subcomponent is fifteen million six hundred thirteen  
4 thousand dollars (\$15,613,000) for each quarter of the 2023-2024 State fiscal  
5 year. For each subsequent State fiscal year, the public hospital subcomponent  
6 shall be increased over the prior year's quarterly amount by the market basket  
7 percentage.

8 (b) If a public acute care hospital closes or becomes a private acute care hospital, then,  
9 beginning in the first assessment quarter following the closure or change to a private acute care  
10 hospital and for each quarter thereafter, the intergovernmental transfer offset component  
11 described in subsection (a) of this section, as inflated in accordance with that section, shall be  
12 reduced by the amount of the public acute care hospital's intergovernmental transfer to the  
13 Department made during its last quarter of operation as a public acute care hospital.

14 **"§ 108A-147.17. Use of funds for county administration.**

15 The Department shall use the proceeds of the health system assessments that are attributable  
16 to the county administration subcomponent of the administration component in G.S. 108A-147.7,  
17 and all corresponding matching federal funds, to reimburse county departments of social services  
18 for additional costs incurred by the county in determining eligibility for newly eligible  
19 individuals."

20 **SECTION 1.6.(c)** Notwithstanding G.S. 108A-147.1, as enacted in subsection (b) of  
21 this section, for the assessment quarter beginning July 1, 2023, the public hospital health system  
22 assessment shall be two hundred twenty-three thousandths percent (0.223%) of total hospital  
23 costs for all public acute care hospitals.

24 **SECTION 1.6.(c1)** Notwithstanding G.S. 108A-147.2, as enacted in subsection (b)  
25 of this section, for the assessment quarter beginning July 1, 2023, the private hospital health  
26 system assessment shall be four hundred forty-five thousandths percent (0.445%) of total hospital  
27 costs for all private acute care hospitals.

28 **SECTION 1.6.(d)** Notwithstanding G.S. 108A-147.1, as enacted in subsection (b)  
29 of this section, for the assessment quarter beginning October 1, 2023, the Department of Health  
30 and Human Services shall determine the public hospital health system assessment percentage by,  
31 first, either increasing or reducing the aggregate health system assessment collection amount  
32 under G.S. 108A-147.3 by the reconciliation component under subsection (e) of this section and  
33 then dividing by the total hospital costs for all public acute care hospitals holding a license on  
34 the first day of the assessment quarter.

35 **SECTION 1.6.(d1)** Notwithstanding G.S. 108A-147.2, as enacted in subsection (b)  
36 of this section, for the assessment quarter beginning October 1, 2023, the Department of Health  
37 and Human Services shall determine the private hospital health system assessment percentage  
38 by, first, either increasing or reducing the aggregate health system assessment collection amount  
39 under G.S. 108A-147.3 by the reconciliation component under subsection (e) of this section and  
40 then dividing by the total hospital costs for all private acute care hospitals holding a license on  
41 the first day of the assessment quarter.

42 **SECTION 1.6.(e)** The reconciliation component is a positive or a negative number  
43 that results from subtracting one hundred one million three hundred two thousand dollars  
44 (\$101,302,000) from the actual amount of the service cost component under G.S. 108A-147.5  
45 for the assessment quarter beginning July 1, 2023. If the reconciliation component is a positive  
46 number, then the aggregate health system assessment collection amount shall be increased by the  
47 reconciliation component in accordance with this section. If the reconciliation component is a  
48 negative number, then the aggregate health system assessment collection amount shall be reduced  
49 by the reconciliation component in accordance with this section.

50 **SECTION 1.6.(f)** This section becomes effective July 1, 2023.

51 **SECTION 1.7.(a)** G.S. 108A-145.3(16) reads as rewritten:

"(16) Paid capitation. – The total amount of the capitation payments made by the Department to all prepaid health plans for a particular rating group (i) attributable to the base capitation rate in the applicable Medicaid managed care capitation rate ~~certification and certification~~, (ii) not attributable to newly eligible individuals, and (iii) adjusted by the Department as a result of retroactively implementing any base capitation rate adjustment that is approved by CMS or allowed under Part 438 of Subchapter C of Chapter IV of Title 42 of the Code of Federal Regulations."

**SECTION 1.7.(b)** G.S. 108A-146.9(a) reads as rewritten:

"(a) The fee-for-service component is an amount of money that is a portion of all the Medicaid fee-for-service payments made to acute care hospitals during the previous data collection period for claims with a date of service on or after July 1, ~~2021~~, excluding claims attributable to newly eligible individuals. The fee-for-service component consists of a subcomponent pertaining to claims for which there is no third-party coverage and a subcomponent pertaining to claims for which there is third-party coverage."

**SECTION 1.7.(c)** G.S. 108A-146.12 reads as rewritten:

**"§ 108A-146.12. Postpartum coverage component.**

(a) The postpartum coverage component is twelve million five hundred thousand dollars (\$12,500,000) for each quarter of the 2021-2022 State fiscal year.

(b) The postpartum coverage component is four million five hundred thousand dollars (\$4,500,000) for each quarter of the 2023-2024 State fiscal year. For each subsequent State fiscal year, the postpartum coverage component shall be increased over the prior year's quarterly amount by the Medicare Economic Index."

**SECTION 1.7.(d)** G.S. 108A-146.13(a)(2) reads as rewritten:

"(2) The postpartum subcomponent applies to the assessments under this Part only during the period of April 1, 2022, through March 31, 2027, and is two million nine hundred sixty-two thousand five hundred dollars (\$2,962,500) for each quarter of the 2021-2022 State fiscal year. For each quarter of the 2023-2024 State fiscal year, the postpartum subcomponent is one million sixty-five thousand dollars (\$1,065,000). For each subsequent State fiscal year, the postpartum subcomponent shall be increased over the prior year's quarterly amount by the Medicare Economic Index."

**SECTION 1.7.(e)** Section 9D.13A(e) of S.L. 2021-180 is repealed.

**SECTION 1.7.(f)** Section 9D.14 of S.L. 2021-180 is repealed.

**SECTION 1.7.(g)** Section 2.1 of S.L. 2021-61 reads as rewritten:

**"SECTION 2.1.** Notwithstanding the definition of federal medical assistance percentage (FMAP) in G.S. 108A-145.3, for any quarter in which the State receives the temporary increase of Medicaid FMAP allowed under (i) section 6008 of the Families First Coronavirus Response Act, P.L. 116-127, or (ii) section 9814 of the American Rescue Plan Act of 2021, P.L. 117-2, the FMAP for purposes of Article 7B of Chapter 108A of the General Statutes shall be the federal share of North Carolina Medicaid service costs as calculated by the federal Department of Health and Human Services in accordance with section 1905(b) of the Social Security Act in effect at the start of the applicable assessment quarter, plus the applicable temporary increase, expressed as a decimal."

**SECTION 1.7.(h)** Subsections (c), (d), (e), and (f) of this section become effective July 1, 2023.

**SECTION 1.8.** It is the intent of the General Assembly to consult with stakeholders and the Division of Health Benefits of the Department of Health and Human Services prior to its 2023 Regular Session in order to consider any necessary refinements to the health system assessments enacted by Section 1.6 of this act.

**HEALTHCARE ACCESS AND STABILIZATION PROGRAM**

**SECTION 1.10.(a)** It is the intent of the General Assembly to assess hospitals for the nonfederal share of a directed payment program, to be called the Healthcare Access Stabilization Program (HASP), that will fund the hospital payments described in this section. The Department of Health and Human Services (DHHS) shall consult with stakeholders to develop a submission of a 42 C.F.R. § 438.6(c) preprint to the Centers for Medicare and Medicaid Services (CMS) to request approval for these payments. The submission shall request the maximum reimbursement to hospitals that meets both of the following:

- (1) Is permitted under 42 C.F.R. § 438.6(c).
- (2) Can be funded entirely through increased hospital assessment receipts that are in addition to the receipts from the health system assessments enacted under Section 1.6 of this act.

**SECTION 1.10.(b)** DHHS shall submit the request developed under subsection (a) of this section to CMS no later than 60 days after the date this act becomes law. Upon submission to CMS, DHHS shall submit the 42 C.F.R. § 438.6(c) preprint to the Joint Legislative Oversight Committee on Medicaid and NC Health Choice and the Fiscal Research Division. If CMS does not approve the initial submission, DHHS shall continue to work with stakeholders and CMS to obtain approval for the maximum reimbursement that meets the requirements of subsection (a) of this section. Upon approval by CMS, DHHS shall submit a copy of the approved 42 C.F.R. § 438.6(c) preprint to the Joint Legislative Oversight Committee on Medicaid and NC Health Choice, the Joint Legislative Committee on Medicaid Rate Modernization and Savings, established in Section 1.1 of this act, and the Fiscal Research Division.

**SECTION 1.10.(c)** The hospital reimbursement increase approved under this section shall be effective upon the enactment of the legislative language necessary to fund, through increased hospital assessments described in subsection (d) of this section, the portion of the nonfederal share of the reimbursement increase that will not be funded through intergovernmental transfers. It is the intent of the General Assembly to consult with stakeholders and the Division of Health Benefits of the Department of Health and Human Services prior to the December 15 meeting of the Joint Legislative Committee on Medicaid Rate Modernization and Savings, established in Section 1.1 of this act, to develop a proposal for this language. The proposal should include any changes needed to the modernized hospital assessments under Part 2 of Article 7B of Chapter 108A of the General Statutes and the health system assessments enacted in Section 1.6 of this act.

**SECTION 1.10.(d)** Upon approval of the 42 C.F.R. § 438.6(c) preprint required under this section, it is the intent of the General Assembly to enact increases to the hospital assessments under Article 7B of Chapter 108A of the General Statutes that meet all of the following criteria, to the extent allowable:

- (1) The increased assessments shall apply at least to all private acute care hospitals.
- (2) The increased assessments shall collect, in the aggregate, an amount equal to the portion of the following items that are not funded through intergovernmental transfers:
  - a. The nonfederal share of the directed payments to hospitals authorized by the CMS-approved 42 C.F.R. § 438.6(c) preprint.
  - b. The nonfederal share of any other costs to the State associated with implementing the directed payments, including (i) capitation costs related to the payment of the gross premiums tax by prepaid health plans, (ii) the loss of disproportionate share hospital (DSH) receipts, and (iii) administrative costs.



- 1 (3) The use of the proceeds of the increased assessments and all corresponding  
2 matching federal funds shall be limited. The intended limitations are as  
3 follows:  
4 a. The funding described in this subdivision shall be used to fund the  
5 portion of the following items that are not funded through  
6 intergovernmental transfers:  
7 1. The nonfederal share of the directed payments to hospitals  
8 authorized by the CMS-approved 42 C.F.R. § 438.6(c)  
9 preprint.  
10 2. The nonfederal share of any other costs to the State associated  
11 with implementing the directed payments, including (i)  
12 capitation costs related to the payment of the gross premiums  
13 tax by prepaid health plans, (ii) the loss of disproportionate  
14 share hospital (DSH) receipts, and (iii) administrative costs.  
15 b. If any increased assessments are paid in error, invalidly imposed, or  
16 exceed the amounts needed for the items specified in subdivision (2)  
17 of this subsection, then within 12 months of the collection of those  
18 increased assessments, the proceeds shall be refunded in part or in full,  
19 as necessary, to the hospitals that paid the assessment. The refund to  
20 each hospital shall be in proportion to the amount of the collections  
21 paid by the hospital for the State fiscal year.  
22 c. The proceeds of the increased assessments shall not be diverted to the  
23 State General Fund or used for a purpose other than described in this  
24 subdivision.  
25

26 **CREATE SEAMLESS STATEWIDE WORKFORCE DEVELOPMENT**  
27 **OPPORTUNITIES**

28 **SECTION 2.1.(a)** Seamless Statewide Plan Development. – The Secretary of the  
29 Department of Commerce (Secretary) shall develop a plan to create a seamless, statewide,  
30 comprehensive workforce development program, bringing together new opportunities and  
31 current workforce development programs within the Department of Commerce (Commerce) and  
32 other State agencies. The plan to create a seamless, statewide, comprehensive workforce  
33 development program (Seamless Statewide Plan) shall be developed in collaboration with the  
34 stakeholders outlined in subsection (b) of this section. The Secretary may contract with  
35 third-party entities in the development and implementation of the Seamless Statewide Plan. As  
36 part of the Seamless Statewide Plan, the Secretary shall strive to ensure that all workforce  
37 development opportunities are available to participants statewide by coordinating efforts and  
38 resources across State agencies.

39 The Seamless Statewide Plan developed under this section shall include all of the  
40 following components:

- 41 (1) Identification of currently existing workforce development programs for  
42 unemployed individuals or low-wage workers in this State and any gaps or  
43 opportunities for improvement of those existing programs.  
44 (2) Identification of the specific labor force needs within the State, specifically  
45 including healthcare workforce needs.  
46 (3) Identification of the specific needs of current and potential future workforce  
47 development participants in order to achieve the goal of reducing the number  
48 of people that are utilizing social service programs, including the North  
49 Carolina Medicaid program.  
50 (4) All of the following specific services shall be included in the Seamless  
51 Statewide Plan:

- 1 a. Job training assistance.
- 2 b. Career paths and job readiness.
- 3 c. Job placement.
- 4 d. Resources for job seekers.
- 5 e. Recruiting services.
- 6 f. Healthcare workforce support.
- 7 (5) Measures by which to determine the success of the workforce development
- 8 programs, such as increases in participant earning capacity, greater economic
- 9 stability of participants, and self-sufficiency of participants.

10 **SECTION 2.1.(b)** Collaboration with Stakeholders. – As part of the development of  
11 the Seamless Statewide Plan required under subsection (a) of this section, the Secretary shall  
12 collaborate with the following entities:

- 13 (1) NCWorks.
- 14 (2) The Department of Labor.
- 15 (3) The North Carolina Community College System.
- 16 (4) The North Carolina Area Health Education Centers (AHEC).
- 17 (5) The Department of Public Instruction.
- 18 (6) The University of North Carolina.
- 19 (7) The Department of Health and Human Services (DHHS).
- 20 (8) Hospitals and healthcare providers licensed in the State.
- 21 (9) Prepaid health plans, as defined under G.S. 108D-1.
- 22 (10) The North Carolina nonprofit corporation with which the Department of
- 23 Commerce contracts pursuant to G.S. 143B-431.01(b).
- 24 (11) The North Carolina Chamber.
- 25 (12) Any North Carolina community organization with relevant expertise.
- 26 (13) Local workforce development boards.
- 27 (14) Any other stakeholder deemed appropriate by the Secretary.

28 **SECTION 2.2.** Referral Requirements. – In collaboration with Commerce, DHHS  
29 shall develop a method by which to assist individuals enrolled in the North Carolina Medicaid  
30 program and other relevant social service programs with accessing appropriate workforce  
31 development services. DHHS shall develop a referral plan for assessing the current employment  
32 status, and any barriers to employment, of Medicaid beneficiaries and other relevant social  
33 service programs, including the individuals that will be newly eligible for Medicaid benefits upon  
34 implementation of the Medicaid Modernization Plan, if enacted, under Section 1.2 of this act.  
35 DHHS and Commerce shall determine the best method by which to provide Medicaid  
36 beneficiaries and beneficiaries of other relevant social service programs an initial assessment and  
37 consultation with a workforce development case manager, or other similar professional. This  
38 method shall ensure that interested individuals are able to fully participate in the workforce  
39 development programs offered in this State. DHHS may contract with third-party entities or  
40 prepaid health plans, as defined under G.S. 108D-1, to assist in providing these services and may  
41 consider the use of incentives to prepaid health plans with regard to these services.

42 **SECTION 2.3.(a)** Initial Seamless Statewide Plan Report. – No later than March 1,  
43 2023, the Secretary of Commerce shall report to the Joint Legislative Oversight Committee on  
44 General Government, the Joint Legislative Oversight Committee on Health and Human Services,  
45 and the Joint Legislative Oversight Committee on Medicaid and NC Health Choice regarding the  
46 Seamless Statewide Plan required under Section 2.1 of this act. The report shall include, at a  
47 minimum, all of the following:

- 48 (1) The Seamless Statewide Plan developed in accordance with Section 2.1 of this  
49 act, including the anticipated date of implementation.
- 50 (2) Identification of the entity within the Department of Commerce that will be  
51 responsible for implementation of the Seamless Statewide Plan.

- 1 (3) The workforce needs of North Carolina employers by industry, skill, required  
2 education level, and geography.  
3 (4) Existing workforce development gaps and opportunities for improvement.  
4 (5) Workforce training infrastructure and needs.  
5 (6) The estimated cost to the State for both the implementation of the Seamless  
6 Statewide Plan and the continued successful operation of the plan into the  
7 future. It is the intent of the General Assembly that some or all of the costs of  
8 implementation and operation be funded through an increase in the health  
9 system assessments, enacted under Section 1.6 of this act.  
10 (7) Any recommended legislation, including changes to the health system  
11 assessments, enacted under Section 1.6 of this act, to cover any State costs  
12 identified in subdivision (6) of this subsection.

13 **SECTION 2.3.(b)** Referral Plan Report. – No later than March 1, 2023, DHHS shall  
14 report to the Joint Legislative Oversight Committee on Medicaid and NC Health Choice and to  
15 the Joint Legislative Oversight Committee on Health and Human Services on the referral plan  
16 for assessing the current employment status of, and any barriers to employment related to,  
17 beneficiaries of Medicaid and other relevant social service programs, as required by Section 2.2  
18 of this act. The report shall include all of the following:

- 19 (1) A time line for implementation of the referral plan, including the identified  
20 method to provide an initial assessment and consultation with a workforce  
21 development case manager, or other similar professional.  
22 (2) The estimated cost to the State for both the initial implementation of the  
23 referral plan and any ongoing costs, including costs associated with the initial  
24 assessment and consultation. It is the intent of the General Assembly that some  
25 or all of the implementation and operation costs be funded through an increase  
26 in the health system assessments, enacted under Section 1.6 of this act.  
27 (3) Any recommended legislation, including changes to the health system  
28 assessments, enacted under Section 1.6 of this act, to cover any State costs  
29 identified in subdivision (2) of this subsection.

30 **SECTION 2.3.(c)** Ongoing Reporting. – No later than December 1, 2023, and for  
31 four years thereafter, DHHS, in collaboration with Commerce, shall report to the Joint Legislative  
32 Oversight Committee on Medicaid and NC Health Choice, the Joint Legislative Oversight  
33 Committee on Health and Human Services, and the Fiscal Research Division, the following  
34 information:

- 35 (1) The total number of Medicaid beneficiaries and beneficiaries of other relevant  
36 social service programs who have participated in workforce development  
37 programs, including the number of individuals who completed an assessment  
38 or consultation with a workforce development case manager or similar  
39 professional.  
40 (2) The total number of Medicaid beneficiaries eligible for Medicaid due to  
41 implementation of the Medicaid Modernization Plan under Section 1.2 of this  
42 act, if enacted.  
43 (3) A breakdown of the types of workforce development services or programs  
44 participated in by beneficiaries of Medicaid and other relevant social service  
45 programs.  
46 (4) The average length of time individuals who participated in workforce  
47 development programs remained eligible for Medicaid benefits and benefits  
48 under other relevant social service programs.  
49 (5) The number of individuals who were employed or reemployed in a position  
50 providing higher wages as a result of participation in a workforce development  
51 program or service. Of these individuals, the number of individuals who were

1 no longer qualified for Medicaid or any other relevant social service as a  
2 result.  
3

4 **PURSUIT OF WORK REQUIREMENTS UNDER THE MEDICAID PROGRAM**

5 **SECTION 2.4.** If there is any indication that work requirements as a condition of  
6 participation in the Medicaid program may be authorized by the Centers for Medicare and  
7 Medicaid Services (CMS), then the Department of Health and Human Services, Division of  
8 Health Benefits (DHB), shall enter into negotiations with CMS to develop a plan for those work  
9 requirements and to obtain approval of that plan. Within 30 days of entering into negotiations  
10 with CMS pursuant to this section, DHB shall notify, in writing, the Joint Legislative Oversight  
11 Committee on Medicaid and NC Health Choice (JLOC) and the Fiscal Research Division (FRD)  
12 of these negotiations. Within 30 days of approval by CMS of a plan for work requirements as a  
13 condition of participation in the Medicaid program, DHB shall submit a report to JLOC and FRD  
14 containing the full details of the approved work requirements, including the approved date of  
15 implementation of the requirements.  
16

17 **EFFECTIVE DATE**

18 **SECTION 3.** Except as otherwise provided, this act is effective when it becomes  
19 law.