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 468,000 North Carolinians in fiscal year 2017-2018 and an additional 630,000 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 – Section 3 of S.L. 2013-5 is repealed.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, 2018, 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 persons in this Affordable Care Act expansion group shall consist of the coverage described in 42 U.S.C. § 1396a(k)(1).

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

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

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

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

Utilizing funds generated by the Medicaid Expansion Assessment, there is appropriated from the General Fund to the Department of Health and Human Services, Division of Medical Assistance, the sum of two hundred seventy-three million three hundred ninety-seven thousand four hundred seventy-five dollars ($273,397,475) in recurring funds for the 2018-2019 fiscal year to pay for service costs associated with Medicaid expansion. Utilizing funds generated from savings to other State programs, there is appropriated from the General Fund to the Department of Health and Human Services, Division of Medical Assistance, the sum of twenty-one million three hundred forty-seven thousand eight hundred twenty-five dollars ($21,347,825) in recurring funds for the 2018-2019 fiscal year to pay for
service costs associated with Medicaid expansion. These funds shall provide a State match for an estimated three billion four hundred sixty-eight million two hundred fifty-four thousand seven hundred dollars ($3,468,254,700) in federal funds for the 2018-2019 fiscal year, and those federal funds are hereby appropriated to the Division of Medical Assistance to pay for service costs associated with Medicaid expansion.

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

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

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

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

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

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

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


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

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


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

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

(1) The total State share of service and administrative costs of Medicaid
expansion for the applicable time period.
(2) The hospital's share of all Medicaid services billed.
(3) The amount assessed to the hospital.

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

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

(e) Definition. – As used in this section, the phrase "Medicaid expansion" means the
Medicaid expansion provided in the Affordable Care Act, P.L. 111-148, as amended, for which
the enforcement was ruled unconstitutional by the U.S. Supreme Court in National Federation
S. Ct. 2566 (2012)."

SECTION 7.(c) G.S. 108A-124 is amended by adding a new subsection to read:
"(e) Reduced Payments. – Notwithstanding subsection (d) of this section, if all or any
part of a payment required to be made under this section cannot be made because the
assessment amounts are reduced pursuant to G.S. 108A-131(c), then the Secretary shall not
refund the assessment proceeds and instead shall reduce the payments as follows:
(1) Equity payments shall not be reduced until UPL payments have been
reduced to zero.
(2) Reductions to the UPL and equity payments shall be applied to each
hospital's payment on a pro rata basis."

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