



NORTH CAROLINA GENERAL ASSEMBLY

2021 Session

Legislative Fiscal Note

Short Title: Expanding Access to Healthcare.
Bill Number: House Bill 149 (Third Edition)
Sponsor(s):

SUMMARY TABLE

FISCAL IMPACT OF H.B. 149, V.3 (\$ in millions)

	<u>FY 2022-23</u>	<u>FY 2023-24</u>	<u>FY 2024-25</u>	<u>FY 2025-26</u>	<u>FY 2026-27</u>
State Impact					
General Fund Revenue*	2,109.3	4,474.9	5,203.7	5,447.0	5,658.7
<u>Less Expenditures</u>	<u>2,052.0</u>	<u>4,226.4</u>	<u>4,968.4</u>	<u>5,192.4</u>	<u>5,400.4</u>
General Fund Impact	57.3	248.5	235.2	254.6	258.3
*Includes increases in federal Medicaid receipts, hospital assessment receipts, gross premiums tax revenue, and a loss of Certificate of Need fees.					
NET STATE IMPACT	\$57.3	\$248.5	\$235.2	\$254.6	\$258.3

Local Impact

Local Revenue	18.4	34.6	46.4	48.5	49.4
<u>Less Local Expenditures</u>	<u>18.4</u>	<u>34.6</u>	<u>46.4</u>	<u>48.5</u>	<u>49.4</u>
NET LOCAL IMPACT	-	-	-	-	-

FISCAL IMPACT SUMMARY

The majority of the fiscal impact shown in the table above is applicable only if the NC Health Works program established in Part I of the bill can be implemented with a waiver from the federal Centers for Medicare and Medicaid Services (CMS). The program provides new Medicaid coverage to individuals ages 18 through 64 who comply with work requirements in the bill and have household incomes of 133% of the federal poverty level or less. (In 2022, 133% of the federal poverty level is \$18,075 for an individual or \$30,630 for a family of 3.) CMS has signaled that work requirements for Medicaid recipients will not be approved. However, if the NC Health Works program is approved and implemented, federal Medicaid receipts, hospital assessment

receipts, and gross premiums tax revenue will increase and will more than offset the cost of the new program.

County departments of social services, which perform the Medicaid eligibility determinations, would also incur additional costs with the NC Health Works program, but a combination of federal Medicaid receipts and hospital assessment receipts transferred from the State would reimburse counties for the added costs.

Without the implementation of the NC Health Works program, the fiscal impact of the bill would be limited to a relatively small negative impact on General Fund revenues due to the loss of application fees associated with the State's Certificate of Need process. There would be no impact on local finances.

FISCAL ANALYSIS

Part I. Medicaid

Section 1.1 of the bill establishes the NC Health Works program, which provides new Medicaid coverage to individuals ages 18 through 64 with household incomes up to 133% of the federal poverty level who are not currently eligible for full Medicaid benefits. NC Health Works participants would have to comply with work requirements to be eligible for the program.

CMS has taken the position that work requirements will not be approved for Medicaid recipients and has withdrawn approval from all states that previously received approval for work requirements. If work requirements are not approved, the NC Health Works program will not be implemented, and Part I of the bill will not result in the State incurring any additional Medicaid costs. The fiscal analysis below assumes that the program is approved and implemented.

Department of Health and Human Services (DHHS) Impact

NC Health Works Expenditures

If the NC Health Works program is implemented January 1, 2023, monthly enrollment in January through June 2023 would average an estimated 445,700 participants, with enrollment ramping up to more than 600,000 by FY 2024-25. Estimated enrollments, service costs, and administrative costs are shown in the table below. Enrollment and cost estimates assume that 6% of applicants who are otherwise eligible for NC Health Works will be disqualified due to the work requirements.

(\$ in millions)	FY22-23	FY23-24	FY24-25	FY25-26	FY26-27
<i>Average monthly enrollment</i>	445,700	521,100	609,000	625,300	631,500
Service costs	\$1,988	\$4,303	\$5,034	\$5,255	\$5,463
State start-up costs*	15	-	-	-	-
State administrative costs*	31	41	41	41	41
County eligibility checks*	18	35	46	49	49
NC HEALTH WORKS COSTS	\$2,052	\$4,379	\$5,121	\$5,345	\$5,553
*Costs associated with verifying and monitoring work requirements are not included.					

NC Health Works Departmental Receipts

Federal receipts will cover 90% of the service costs and 50%-75% of the administrative costs for NC Health Works. The remaining costs will be covered through new assessments on hospitals. Section 1.5 establishes the Hospital Health Advancement Assessments, which begin October 1, 2022 with an initial amount needed to fund the nonfederal share of administrative start-up costs. Future assessments will be collected quarterly and are designed to support service costs for the NC Health Works program, as well as ongoing administrative costs. A \$150 million annual State retention amount will also be collected from hospitals and would be used to support the existing State Medicaid program. Estimated program receipts are shown in the table below.

(\$ in millions)	FY22-23	FY23-24	FY24-25	FY25-26	FY26-27
Federal Medicaid receipts	\$1,834	\$3,927	\$4,593	\$4,794	\$4,981
Health Advancement Assmts	276	600	671	709	734
NC HEALTH WORKS RECEIPTS	\$2,110	\$4,527	\$5,264	\$5,503	\$5,715

Other Changes Impacting Medicaid

Section 1.7 of the bill makes conforming changes to the existing Medicaid program to accommodate the NC Health Works program. The changes are effective July 1, 2023 and are described briefly below.

- An unnecessary hospital assessment adjustment is eliminated in one quarter of FY 2023-24.
- The cost of extending postpartum coverage, as enacted in S.L. 2021-180, would be reduced with the implementation of NC Health Works, and the bill makes a corresponding reduction in the hospital assessment used to fund the nonfederal share of the cost.
- A provision that allows the parents of children placed in the foster care system to retain Medicaid benefits is repealed. The program would not be needed with implementation of NC Health Works.

The combined impact of these changes is a net savings to the State and is shown in the table below.

(\$ in millions)	FY22-23	FY23-24	FY24-25	FY25-26	FY26-27
Total requirements	-	(\$153)	(\$153)	(\$153)	(\$153)
Federal Medicaid receipts	-	(103)	(103)	(103)	(103)
Hospital assessment receipts	-	(37)	(32)	(32)	(32)
NET GF APPROPRIATION	-	(\$13)	(\$18)	(\$18)	(\$18)

ARPA Temporary Savings Fund

The American Rescue Plan Act of 2021 (ARPA) provides an incentive to states that expand Medicaid by offering an additional 5 percentage points on the federal match for the traditional Medicaid population for a period of two years. To qualify for this incentive, a state must cover all individuals in the Medicaid expansion category. Because NC Health Works would exclude individuals who do not meet work requirements, it would not meet the conditions for receipt of the ARPA federal match enhancement. Section 1.3 establishes the ARPA Temporary Savings Fund to hold State savings resulting from the enhanced federal match rate, but no savings are anticipated.

Total Impact on Department of Health and Human Services

The inclusion of a State retention component in the Hospital Health Advancement Assessments and the savings generated in other parts of the Medicaid program combine to produce annual savings to the State Medicaid program, as shown in the table below.

(\$ in millions)	FY22-23	FY23-24	FY24-25	FY25-26	FY26-27
Total requirements	\$2,052	\$4,226	\$4,968	\$5,192	\$5,400
Federal Medicaid receipts	1,834	3,824	4,490	4,691	4,879
Hospital assessment receipts	276	563	639	677	701
NET GF APPROPRIATION	(\$58)	(\$161)	(\$161)	(\$176)	(\$180)

Healthcare Access and Stabilization Program

Under the Healthcare Access and Stabilization Program (HASP) established in Section 1.10, DHHS is directed to seek federal approval for increased reimbursements to hospitals that can be funded entirely through increased hospital assessment receipts after accounting for the full cost of the Hospital Health Advancement Assessment. Because the increased reimbursement to hospitals would not be effective until the General Assembly enacts other legislation to fund the State share of the increased reimbursements, this provision has no direct fiscal impact.

Conditions for Termination of NC Health Works

Section 1.2 of the bill requires termination of the NC Health Works program if the federal share of the cost of providing NC Health Works coverage drops below 90% or if the nonfederal share of the cost of NC Health Works cannot be fully funded through the sources identified in the bill. If either of these scenarios occur, then coverage would end as expeditiously as possible. DHHS would report to the Joint Legislative Oversight Committee on Medicaid and NC Health Choice annually on

the nonfederal share of the cost of NC Health Works coverage compared to the funding available from sources identified in the bill.

Gross Premiums Tax Revenue

In addition to the impact on DHHS, the NC Health Works program would also impact General Fund revenue collected through the gross premiums tax. Medicaid payments to prepaid health plans (PHPs) are taxed the same way that premiums paid to other insurance providers in the State are taxed. With the additional managed care population from the NC Health Works program, total payments to PHPs will increase. The additional revenue collected from Medicaid PHPs will be partially offset by the loss of revenue from some commercial insurers who would lose clients to Medicaid. The projected net increase in General Fund revenue is shown in the table below.

(\$ in millions)	FY22-23	FY23-24	FY24-25	FY25-26	FY26-27
Gross Premiums Tax/GF Rev	-	\$88	\$75	\$79	\$79

Local Impact

County departments of social services are responsible for conducting Medicaid eligibility determinations, and their costs will increase with the implementation of the NC Health Works program. DHHS is directed to use a portion of the Hospital Health Advancement Assessment, and all corresponding federal receipts, to reimburse the county departments for costs incurred due to NC Health Works. The anticipated impact on counties is shown below.

(\$ in millions)	FY22-23	FY23-24	FY24-25	FY25-26	FY26-27
Total Expenditures	\$18.4	\$34.6	\$46.4	\$48.5	\$49.3
Federal Receipts	13.8	26.0	34.8	36.4	37.0
State Receipts	4.6	8.6	11.6	12.1	12.3
Net County Impact	-	-	-	-	-

Part II. Work Requirements for Certain NC Health Works Beneficiaries

The addition of work requirements for a portion of State Medicaid enrollees will increase administrative costs for the Medicaid program. A combination of additional personnel, new contracts, and updates to data systems would be needed to verify employment and monitor compliance. The additional costs associated with work requirements are not known at this time and are not included in this fiscal note.

Part III. Certificate of Need Reform

Part III exempts the following categories from Certificate of Need (CON) requirements: chemical dependency treatment facilities; ambulatory surgical facilities; psychiatric beds; chemical dependency treatment beds; magnetic resonance imaging; and replacement equipment that costs less than \$4,000,000.

Applicants for a CON must include an application filing fee with the CON application. The base fee is \$5,000 with an additional fee of \$0.003 for every dollar of the projected capital cost of the project greater than \$1,000,000. The maximum filing fee is \$50,000, and the fee is not refundable even if the application is denied.

Collected CON application fees are credited to the General Fund as nontax revenue. To the extent that expansions of health services that currently require a CON application will no longer require one, the changes in Part III will impact nontax revenue. Based on historical data, the net reduction in nontax revenue is estimated to be no more than \$750,000 per year.

Part IV. Modernizing Nursing Regulations

Part IV of the bill would modify Article 9A of Chapter 90 to prohibit a person from practicing as an Advanced Practice Registered Nurse (APRN) without a license issued by the North Carolina Board of Nursing (the Board), with specified exceptions. The bill also:

1. Defines APRN as an individual in the role of a nurse practitioner (NP), certified nurse midwife (CNM), clinical nurse specialist (CNS), or certified registered nurse anesthetist (CRNA).
2. Defines the scope of practice for NPs, CNMs, CNSs, and CRNAs.
3. Charges the Board with administration of the licensing program and sets out fees the Board may charge.
4. Makes conforming statutory changes.
5. Requires the NC Board of Nursing, the NC Medical Board, and the NC State Board of Dental Examiners to adopt rules to implement the changes.

Licensure Fees

Currently, an individual who is an APRN must hold a NC Registered Nurse license through the Board. The bill would establish a fee schedule for APRN licensure as follows:

License	Maximum Fee Authorized
License Application	\$100
License Renewal	\$100
License Reinstatement	\$180

Impact on State Budget

The Board’s budget and spending occur outside the State treasury and budget. Thus, the collection of fees authorized in the bill and the administrative costs associated with the Board would not impact the State’s budget.

Part V. Health Insurance Reforms

The reforms in Part V impact insurers in the State but are not expected to impact the State budget.

TECHNICAL CONSIDERATIONS

N/A.

DATA SOURCES

Office of State Budget and Management, Department of Health and Human Services, Fiscal Research Division

LEGISLATIVE FISCAL NOTE – PURPOSE AND LIMITATIONS

This document is an official fiscal analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts.

CONTACT INFORMATION

Questions on this analysis should be directed to the Fiscal Research Division at (919) 733-4910.

ESTIMATE PREPARED BY

Mark Collins; Jessica Meed; Susie Camilleri

ESTIMATE APPROVED BY

Mark Trogdon, Director of Fiscal Research
Fiscal Research Division
June 1, 2022



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