

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2023**

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**SENATE BILL 550**

Short Title: Direct Support Professional Wage Increases. (Public)

Sponsors: Senators Grafstein and Moffitt (Primary Sponsors).

Referred to: Rules and Operations of the Senate

April 5, 2023

A BILL TO BE ENTITLED

AN ACT TO PROVIDE A WAGE INCREASE TO DIRECT SUPPORT PROFESSIONALS THAT SERVE MEDICAID BENEFICIARIES RECEIVING SERVICES UNDER THE NORTH CAROLINA INNOVATIONS WAIVER.

Whereas, local management entities/managed care organizations (LME/MCOs) must maintain adequate provider networks pursuant to their managed care contracts and 42 C.F.R. § 438.68 and must "assure clients' care is coordinated, received when needed, likely to produce good outcomes, and is neither too little nor too much service to achieve the desired results" pursuant to G.S. 122C-115.4(b)(5); and

Whereas, there is a serious shortage of direct support professionals (DSPs) available to provide services under the North Carolina Innovations waiver and other funding sources supporting the needs of people with intellectual and developmental disabilities (I/DD); and

Whereas, the DSP workforce shortage has caused significant disruption in services for many Medicaid beneficiaries with I/DD; and

Whereas, a leading factor in the DSP workforce shortage is the inadequacy of compensation rates; and

Whereas, legislatively provided, short-term DSPs pay enactments are not a substitute for LME/MCO responsibility to maintain adequate rates and network adequacy in their respective catchment areas on an ongoing basis; and

Whereas, appropriate and competitive compensation rates vary geographically, and the monitoring of such local market conditions is within the purview and responsibility of each LME/MCO; Now, therefore,

The General Assembly of North Carolina enacts:

**SECTION 1.(a)** It is the intent of the General Assembly to assist in increasing the hourly wages of direct support professionals (DSPs) that serve Medicaid beneficiaries receiving services under the North Carolina Innovations waiver by three dollars and twenty-five cents (\$3.25) per hour for the 2023-2024 fiscal year and by three dollars and twenty-five cents (\$3.25) per hour for the 2024-2025 fiscal year. To that end, the Department of Health and Human Services, Division of Health Benefits (DHB), shall provide a rate increase for services provided by DSPs to Medicaid beneficiaries receiving services under the Innovations waiver. This rate increase shall be effective on the date approved by the Centers for Medicare and Medicaid Services but no sooner than July 1, 2023. Any provider receiving a rate increase under this section shall be required to use at least ninety percent (90%) of the funding that results from that rate increase to increase the rate of pay paid to its DSP workforce. This wage increase shall be provided in addition to the rate of pay each employee was receiving as of June 30, 2023. DHB



1 shall determine the amount of the rate increase under this section and the definition of DSP to be  
2 applied.

3 **SECTION 1.(b)** Upon implementation of the rate increase under subsection (a) of  
4 this section, DHB shall adjust the per member per month (PMPM) capitation amount paid to  
5 local management entities/managed care organizations (LME/MCOs). These capitation rate  
6 adjustments shall include amounts sufficient to implement the same rate increase for providers  
7 paid by the LME/MCO and all LME/MCOs shall be required to implement that rate increase.  
8 Providers receiving a rate increase under this section shall be subject to the requirements of this  
9 section. This section shall continue to apply when the BH IDD tailored plans become fully  
10 operational and are implemented.

11 **SECTION 1.(c)** Prior to receiving the rate increase under this section, all providers  
12 employing DSPs that serve Medicaid beneficiaries receiving services through the Innovations  
13 waiver shall attest and provide verification to DHB, or to the relevant LME/MCO, that at least  
14 ninety percent (90%) of the funding that results from that rate increase is being used to increase  
15 the rate of pay paid to its DSP workforce. DHB shall set the standards for documentation that  
16 shall be required as verification that the provider used the rate increase in the manner required  
17 by this section, and LME/MCOs shall use these same standards at a minimum. DHB and  
18 LME/MCOs may require verifiable methods of accounting, such as payroll-based journals.  
19 Providers receiving a rate increase under this section shall keep documentation of the use of that  
20 rate increase and make the documentation available upon request by DHB or by the relevant  
21 LME/MCO.

22 **SECTION 1.(d)** In addition to other allowable reasons for recoupment of funds,  
23 DHB may recoup part or all of the funds related to the rate increase received by a provider  
24 pursuant to this section if DHB determines that the provider did not use at least ninety percent  
25 (90%) of the funding that results from that rate increase to increase the rate of pay paid to its DSP  
26 workforce.

27 **SECTION 1.(e)** For the 2023-2025 fiscal biennium, LME/MCOs shall report on a  
28 quarterly basis to DHB and to the Joint Legislative Oversight Committee on Medicaid regarding  
29 provider development efforts and planned or enacted provider rate increases as they pertain to  
30 the DSP workforce.

31 **SECTION 2.** Effective July 1, 2023, there is appropriated from the General Fund to  
32 the Department of Health and Human Services, Division of Health Benefits, the sum of  
33 seventy-two million dollars (\$72,000,000) in recurring funds for each year of the 2023-2025  
34 fiscal biennium. These funds shall provide a State match for one hundred forty million dollars  
35 (\$140,000,000) in recurring federal funds for each year of the 2023-2025 fiscal biennium, and  
36 those federal funds are appropriated to the Division of Health Benefits.

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