
TO: GOVERNOR ROY COOPER
FROM: SECRETARY MANDY COHEN
SUBJECT: CURRENT NCGA BUDGET PROPOSAL – DHHS ISSUES
DATE: JUNE 25, 2017

The Department of Health and Human Services has reviewed the budget proposed by the General Assembly. The Legislature provided budget investments that addressed a number of key priorities. For example, the conference budget: includes investment in Pre-K that reduces the number of children on the program waiting list, provides additional Innovation waiver slots for individuals with intellectual and developmental disabilities, and maintains current eligibility for food assistance for North Carolinians. In addition, the budget addresses a number of key investments to support critical DHHS services and infrastructure including additional funding for the State Laboratory for Public Health, State healthcare facilities, key technology projects such as the Controlled Substance Reporting System; as well as funding for needed additional regulatory staff. However, we have identified a number of serious concerns that will impede our ability to serve the citizens of North Carolina.

Funds to Combat Statewide Opioid Epidemic

Perhaps no issue has raised itself with the speed, breadth, and severity of the opioid epidemic, which is devastating communities across North Carolina. In 2016, 1,200 of our citizens lost their lives to unintentional opioid overdoses, and deaths associated with the synthetic opioid fentanyl increased at an alarming rate. While we are pleased that the General Assembly provides some funding to combat the opioid epidemic in North Carolina, more resources are needed to effectively address this crisis. In your proposed Governor's budget, you requested \$10.9 million of appropriated State funding for both years of the biennium to address this issue. The current conference budget proposes funding this need at less than half of this amount (\$5 million per year), reducing the support to those who are working to fight this epidemic across our State, and reducing the number of individuals with opioid disorders who could be helped.

Medicaid Flex-Cut

While Medicaid reductions of various amounts were considered this session, the final proposed \$15 million reduction, when combined with the federal share of Medicaid participation, would effectively reduce the Department's Medicaid resource availability by \$45 million. To achieve this \$15 million cut, the Division of Medical Assistance may be forced to make an assortment of unwanted reductions in services and rate adjustments, from reducing overall provider reimbursement rates to reversing proposed increased vaccine reimbursement rates and delaying a planned reinstatement of adult optical services.

Smart Start

Your proposed budget called for an investment of \$15 million in Smart Start funds to provide support and flexibility to all 100 counties to improve early childhood educational outcomes and to better prepare children for school. The General Assembly's conference budget provides only a fraction of this funding and directs all resources to support a single initiative. While any increased investment in Smart Start is a benefit to young children and families, the reality is that the Smart Start initiative remains

underfunded, and the General Assembly's budget limits the local Partnership's ability to meet existing early education needs in their communities

Adult Protective Services

Your budget supported aging and adult services by investing \$4 million in the Home and Community Care Block Grant. This expansion invested more than \$3 million to provide in-home aide, transportation and meals to older, low-income residents in all 100 counties across the State and reduce the number of people currently waiting for services. In addition to the added HCCBG funding, your budget also provided \$4.6M for adult protective services to improve the safety of adults who are elderly or disabled and who are subject to abuse, neglect, and exploitation.

Family/Child Protection & Accountability Act

The General Assembly's conference budget does not include the resources necessary to support the significant changes required for transformation of the State's child welfare and social services system. We applaud the legislative attention given to improving these important services provided to some of the most vulnerable of our State's residents, but are concerned that the Department's ability to enact and support the changes called for will be limited by lack of needed resources.

Child Support Enforcement

The General Assembly budget includes language that creates an unnecessary barrier to families' access to critical services such as food and child care assistance and places an additional financial burden on the State. The vast majority of child care subsidy and food assistance applicants already cooperate fully with Child Support Enforcement. Estimates suggest that less than 3% of families are not involved in Child Support enforcement for a variety of deeply personal and complicated reasons. Further, initial estimates of the cost of implementing the technology for this provision in excess of \$2 million.

Technical Issues

The Department is actively working with the General Assembly on several important technical corrections that will be critical in allowing the Department to effectively perform our work and support the provision of services across the Department and across the State.