

ALERTS

North Carolina Legislative Report - March 28, 2014

March 15-28, 2014

The General Assembly has officially completed its business for the 2013 long session. The 2014 short session will begin on Wednesday, May 14, 2014. The MVA Public Affairs Legislative Report on North Carolina will be distributed bi-weekly to keep you up to date on the latest legislative issues facing the state during the interim.

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Committee Reports

North Carolina Educator Effectiveness and Compensation Task Force

The task force held its second meeting of the interim on Monday, March 17. Dr. Jacob Vigdor with Duke University kicked off the meeting with a presentation on reforming North Carolina's Educator Compensation System. Vigdor highlighted the benefits of higher teacher compensation and discussed the value of an evidence based approach. Dr. Trip Stallings with The Friday Institute provided an analysis and discussed the components of North Carolina's differential pay plan. Dr. Bryan Hassel with Public Impact discussed opportunity culture, a strategy where teachers with leadership skills both teach and lead teams of teachers and assistants to share strategies and best practices. Closing the meeting was Tony Bagshaw with Battelle for Kids, who discussed his organization and its work with CMS on a teacher compensation plan. The task force will hold its next meeting on Monday, March 31 at 2:00 p.m.

Committee on Market Based Solutions and Elimination of Anti-Competitive Practices in Health Care

The Committee met on Tuesday, March 18. The Committee began with a discussion of the impact of consolidation in the health care industry. Mark Werner from Blue Cross/Blue Shield of North Carolina and Mark Hall, a professor of law and public health at Wake Forest University, each gave presentations pointing to increased consolidation in the health care industry as a factor in rising health care costs. Next, several presenters associated with orthopedic practitioners presented to the committee with respect to cost savings they found to be associated with providing care in ambulatory surgical centers (ASCs) as opposed to hospital-settings and the barriers that the certificate of need (CON) laws impose on greater use of ASCs. Finally, there were two presentations with respect to CON laws and diagnostic centers. Martha Frissone with the Division of Health Service Regulation gave a basic overview of the CON process with respect to diagnostic centers. Dr. David Levin then gave a presentation on the impact of the elimination of CON laws on diagnostic centers and argued that numerous studies have shown that self-referral (doctors referring patients for testing at a center owned by the doctors) almost always leads to higher utilization and higher overall patient costs.

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Joint Study Committee on the Affordable Care Act and Implementation Issues

The Committee began with a presentation on the Affordable Care Act (ACA) by Dr. Chris Conover. He began by giving a broad overview of various provisions of the ACA and then moved into discussions of how the ACA would be financed. Dr. Conover stated that 40% of the costs of the ACA would be financed through Medicare savings and described how some of those changes would be achieved. He then provided some information on the changes to the ACA since enactment. Dr. Conover's remarks were somewhat controversial with Democrats on the Committee questioning whether he was an unbiased presenter. Following this presentation, Mona Moon, the Executive Administrator of the State Health Plan, gave a brief presentation on the impacts of the ACA on the State Health Plan. Ms. Moon delved into a number of specific issues, but the key point from her presentation was that the fiscal impact on the Plan was minimal. In State fiscal year 2015, the year of greatest impact, the additional costs associated with the ACA are projected to be about \$59 million or roughly 2% of total Plan costs. Finally, Mark Fleming with Blue Cross/Blue Shield of North Carolina gave a presentation on that company's response to the ACA.

Legislative Research Committee on Cultural and Natural Resources

The Legislative Research Committee held its second meeting of the interim on Thursday, March 20. The meeting started with a presentation from Brent Lane, Director of the NC Center for Competitive Economies at UNC, on the economic value of cultural and ecotourism. Lane was followed by Carla Barbieri from North Carolina State University, who addressed the impact of agritourism on rural North Carolina. Wit Tuttle with the NC Department of Commerce Tourism Division highlighted the department's efforts in tourism and the benefits to the State. Lisa Riegel with the NC Department of Commerce discussed ecotourism at the local level, using the Uwharrie region as an example. Aaron Sizemore, Town Manager of Damascus, VA, discussed the role volunteer efforts have on local tourism. Wrapping up the meeting was Karin Cochran, NC Department of Cultural Resources and Brad Ives, NC Department of Environment and Natural Resources, who discussed their respective departments' efforts with public-private partnerships. The Committee will hold its next meeting on Thursday, April 17 at 1:00 p.m.

Committee on Common Core State Standards

The Committee held its third meeting of the interim on Thursday, March 20. The meetings were devoted to public comments with the vast majority of people speaking out against the common core standards. In addition to citizen comments, the Committee heard from representatives from Civitas and the North Carolina Chamber. The Committee will hold its next meeting on Thursday, April 24 at 10:00 a.m.

Joint Legislative Oversight Committee on Health and Human Services

The Committee met on Wednesday, March 26. Secretary Wos began the meeting by giving an update on the Department's efforts to eliminate the backlog in processing food stamps applications and meeting a deadline imposed by the USDA. Next, the Committee heard presentations from the Office of State Budget and Management (OSBM), DHHS, and legislative staff on the status of the Medicaid budget. Each reported that they were estimating overruns in the Medicaid budget for 2013-14 of anywhere between \$69 million and \$140 million. In addition, legislative staff is currently estimating that the Medicaid budget for 2014-15 is likely to be off by \$126 million to \$257 million. Legislative staff estimated that a significant part of the cost overruns were

related to mandated savings that would not be achieved. DHHS gave an update on the status of its efforts to achieve those mandated savings. The Committee heard a presentation from legislative staff with respect to the Medicaid budget model for the next few years. Legislative staff explained that North Carolina has decreased per member per month (PMPM) Medicaid spending since 2008 by 11.6% compared to an average PMPM increase of 6% nationwide over the same time period. Staff warned however, that without continued efforts to further contain costs, North Carolina PMPM is likely to grow at a similar rate to the national average in the future. If this projection is correct, North Carolina could expect to have State appropriations for Medicaid grow from about \$3.6 billion in 2013-14 to roughly \$5.35 billion by 2019-20. Next, DHHS presented on its actions with respect to shared savings initiatives, outlining a number of implementation challenges associated with respect to that plan. Finally, DHHS presented its Medicaid reform plan. The plan has not changed significantly since earlier iterations of it and remains focused on: 1) North Carolina Medicaid services for physical health will be coordinated through accountable care organizations (ACOs) that share savings and losses with the state and are responsible for quality, 2) efforts to enhance the state's Medicaid mental health, substance abuse, and intellectual/developmental disability service delivery system through further consolidation of LME-MCOs and other measures, and 3) efforts to streamline and strengthen case management for long term services and supports. The questions raised by members evidenced a great deal of skepticism at DHHS's ability to implement the plan on the proposed timeline.

Joint Legislative Commission on Governmental Operations

The Commission met on Thursday, March 27 and had presentations and discussion on five separate topics. A number of items were removed from the agenda after the meeting had run significantly longer than usual.

- The first item involved a budget deviation request to allow the Department of Public Safety to purchase additional vehicles for its motor fleet. The need to purchase additional motor vehicles has been driven largely by a reallocation of resources with respect to parole/probation officers that requires a more intensive use of motor vehicles. This has also been compounded by the fact that the State has limited motor vehicle purchases over the past few years in response to tight budgets.
- Second, the Commission heard an update on efforts between the Department of Health and Human Services (DHHS) and Continuing Care of North Carolina (CCNC) to enter into a data sharing agreement with respect to the health information exchange. This system is designed to allow access to a patient's entire medical chart from remote locations. Questions were raised about the cost of mandatory participation in the exchange and reasons for the delay in finalizing a data sharing arrangement.
- The Commission heard several presentations on the status of the Medicaid budget in the current year and the Governor's Medicaid reform plan. The prepared remarks from both legislative staff and DHHS were very similar to the presentations made the day before to the Joint Legislative Oversight Committee on Health and Human Services. Tensions were noticeably higher at this meeting, with numerous legislators and Department officials sparring over DHHS's ability to manage current operations, information sharing (or the lack thereof) between legislative staff and DHHS officials, and whether DHHS could realistically implement Medicaid reform on the proposed timetable given recent events at the agency.
- The Commission then heard a report on the North Carolina Community College System's Back-to-Work Program. The program was the result of recent legislative actions and is designed to assist long-term unemployed and underemployed individuals in obtaining work. The Program focuses on providing students

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with occupational skills, employability skills, and opportunities to earn third-party, industry recognized credentials. The program was expanded last year to include veterans and members of the North Carolina National Guard as eligible participants. The Commission heard from program directors at several colleges.

- Finally, the Commission received a report from the North Carolina Biotechnology Center. The 2013 Appropriations Act mandated that the Center report on 1) the activities conducted at the Center's headquarters in Research Triangle Park, 2) the activities conducted at the Center's regional offices, 3) staffing requirements at the Center's headquarters and at the regional offices, 4) whether State funds would be better used to provide additional grants and loans rather than to support current staffing levels, 5) the administration of grant and loan programs, 6) an examination of existing cash balances and a determination of ways to quickly use funds to make grants and loans, 7) the size of the Board of Directors and the overall governance of the Center, and 8) whether it would be beneficial to transfer Biotechnology Center funding to the Department of Commerce to establish and implement a competitive grants process. The Commission expressed admiration for the Center's work, with questions mainly limited to the relative amount of grants/loans in the Center's portfolio (roughly 3/1).

In the News

News & Observer: NC lawmakers question DHHS chief Wos about agency's problems

AP: NC governor directs belt-tighting

Observer: Charlotte City Council could pick new mayor on Monday

Observer: Mayor Cannon resigns after corruption arrest

AP: Cozza named to head North Carolina Ports

Observer: Environmentalists: Charlotte airport coal ash storage is likely better than unlined ponds

Carolinas AGC: Lt. Gov. Dan Forest Looks at Large Bond Issue for State Construction Needs in North Carolina

AP: NC Medicaid gap estimate lower than last year

News & Observer: Federal transportation dollars could dry up this summer, NC Gov. Pat McCrory says

News & Observer: NC Utilities Commission delays mandate to generate electricity from hog, poultry waste

Citizen-Times: Owen is in the Nesbitt seat race

News & Observer: Another poll shows Tillis with double-digit lead in GOP primary

Observer: MetLife in Charlotte: 77,000 applications for 1,300 jobs

Calendar

Fri, March 28, 2014

9:00 AM

Agriculture and Forestry Awareness Study Commission -- CORRECTED

DuPont State Forest Administration Building

Mon, March 31, 2014

10:00 AM

House Committee on Treasurer Investment Targets and State Employee Retirement Options (LRC)(2013)

1027/1128 LB

2:00 PM

North Carolina Educator Effectiveness and Compensation Task Force

643 LOB

Tue, April 01, 2014

10:00 AM

Joint Legislative Administrative Procedure Oversight Committee

544 LOB

1:00 PM

Joint Legislative Workforce Development System Reform Oversight Committee

544 LOB

1:00 PM

Joint Legislative Commission on Energy Policy

643 LOB

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Wed, April 02, 2014

10:00 AM

Joint Legislative Oversight Committee on Unemployment Insurance

544 LOB

12:00 PM

Joint Legislative Elections Oversight Committee

544 LOB

12:00 PM

Joint Legislative Oversight Committee on Information Technology

ITS Western Data Center & Facebook Data Center

Thu, April 03, 2014

9:00 AM

Joint Legislative Oversight Committee on Information Technology

UNC Charlotte, PORTAL Building, Charlotte, NC

10:00 AM

Joint Legislative Economic Development and Global Engagement Oversight Committee

643 LOB

1:00 PM

House Committee on Judicial Efficiency and Effective Administration of Justice (LRC)(2013)

544 LOB

2:00 PM

Joint Legislative Oversight Committee on Information Technology

Microsoft Campus in Charlotte, NC

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Fri, April 04, 2014

9:00 AM

Joint Legislative Transportation Oversight Committee -- CORRECTED

1228/1327 LB

Mon, April 07, 2014

9:00 AM

House Committee on Property Owner Protection and Rights (LRC)(2013)

544 LOB

10:00 AM

Child Fatality Task Force

1027/1128 LB

1:00 PM

House Committee on Mechanics Liens and Leasehold Improvements (LRC)(2013)

415 LOB

1:00 PM

House Committee on Public Enterprise Systems and Use of Funds (LRC)(2013)

544 LOB

Tue, April 08, 2014

10:00 AM

Joint Legislative Education Oversight Committee -- CORRECTED

544 LOB

Wed, April 09, 2014

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8:00 AM

Environmental Review Commission

643 LOB

9:30 AM

Revenue Laws Study Committee

544 LOB

Thu, April 10, 2014

9:00 AM

Joint Legislative Emergency Management Oversight Committee

544 LOB

1:00 PM

Joint Legislative Oversight Committee on Justice and Public Safety

643 LOB

Tue, April 15, 2014

9:00 AM

**Committee on Market Based Solutions and Elimination of Anti-Competitive Practices in Health Care (LRC)
(2013)**

643 LOB

Wed, April 16, 2014

9:00 AM

Committee on Jordan Lake (LRC)(2013) -- CORRECTED

544 LOB

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1:00 PM

Joint Legislative Program Evaluation Oversight Committee

643 LOB

Thu, April 17, 2014

10:00 AM

Joint Legislative Oversight Committee on Health and Human Services

643 LOB

1:00 PM

Committee on Cultural and Natural Resources (LRC)(2013)

643 LOB

Mon, April 21, 2014

1:00 PM

Committee on Health Care Provider Practice Sustainability and Training/Additional Transparency in Health Care (LRC)(2013)

643 LOB

Wed, April 23, 2014

1:00 PM

House Study Committee on Education Innovation (2013)

643 LOB

Thu, April 24, 2014

10:00 AM

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Committee on Common Core State Standards (LRC)(2013)

643 LOB

Mon, May 12, 2014

10:00 AM

Rep. Insko - Press Conference

Press Room LB

Wed, May 14, 2014

12:00 PM

Session Convenes (House)

House

12:00 PM

Session Convenes (Senate)

Senate

Thu, May 22, 2014

8:00 AM

Skin Cancer Screening

1124/1224 LB