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The Economic Impact of Proposed Reductions in Medicaid Spending in North Carolina

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Executive Summary

Faced with the prospect of continuing revenue shortfalls, the North Carolina Department of Health and Human Services was requested to prepare estimates of budget reductions for state fiscal year 2003. One of the largest programs under the control of NCDHHS is the Medicaid health insurance program for the poor. Had spending for the Medicaid program increased at the projected rate, the total program expenditures from all sources would have approached \$7.7 billion for state fiscal year 2003.

The Medicaid program receives federal allocations at a rate of approximately two federal dollars for each state and county dollar appropriated to Medicaid. The state will lose these federal matches as state and county appropriations to Medicaid are reduced. In addition, as the Medicaid program reduces the funds that would have gone to hospitals, nursing homes, home health agencies, physicians, pharmacies, and other types of providers, those institutions must reduce their employment and purchases of other goods and services. As the employees of these providers lose their jobs, they reduce their spending and the ripple effect continues through the state's economy. Thus, Medicaid reductions contribute to job and income losses for individuals, and less output (sales) for businesses, throughout North Carolina. The calculation of these economic effects is the subject of this report.

This report is limited to what we might call the "macro-consequences" of a Medicaid cut: the decrease in economic growth and social welfare that accompanies a reduction in Medicaid spending, especially from federally infused matching dollars. We do not attempt to calculate the "micro-consequences" of the proposed state cuts: the personal toll on the Medicaid beneficiaries themselves. The probable decreases in the health status and physical functioning of Medicaid beneficiaries also would have ripple effects on the economy as these individuals become unable to perform productive employment. In addition, as Medicaid services are constrained, the burden of care will tend to be shifted to less efficient sources of care such as hospital emergency rooms.

This analysis considers the economic impact on the state of two scenarios for reducing these expenditures for SFY 03: a high reduction and low reduction. For the **high** reduction, state and local appropriations would be decreased by \$129,715,857 and the federal receipts would fall by \$278,593,774 for a total program reduction of \$408,309,631. This translates into the probable loss of 9,700 jobs and \$706,257,420 in the value of output in the North Carolina economy, when the economic multipliers are calculated. If only the federal

portion of the Medicaid fund reductions is considered, the reductions would result in 6,590 lost jobs and \$479,846,829 in output losses statewide.

Under the **low** reduction, state and local appropriations would be decreased by \$126,825,151 and the federal receipts would fall by \$272,467,295 for a total program reduction of \$399,292,466. This translates into the probable total loss of 9,500 jobs and \$690,432,383 in output in the North Carolina economy, when the economic multipliers are calculated. If only the federal portion of the Medicaid fund reductions is considered, the reductions would result in 6,454 lost jobs and \$469,094,951 in output losses statewide.

The essential findings are summarized in Table 1:

Table 1: Summary of effects				
FY 2003	Scenario			
	high reduction		low reduction	
	state and federal \$	federal \$ only	state and federal \$	federal \$ only
Lost jobs	9,700	6,590	9,500	6,454
Lost output	\$706,257,420	\$479,848,829	\$690,432,383	\$469,094,951

If reductions of greater or lesser amounts were to be proposed, the economic impacts would necessarily need to be recalculated, as they depend upon the precise services to be reduced and ultimately on the sectors of the economy on which these reductions would fall.

The Economic Impact of Proposed Reductions in Medicaid Spending in North Carolina

Introduction

As the economy in North Carolina has contracted during the last two years, state tax receipts have fallen to the point where the Governor and General Assembly have been forced to consider reductions in state appropriations across the entire spectrum of state services for the state fiscal year beginning July 1, 2002 (SFY03). Concurrently, state economic development efforts have been increased to attempt to bring new sources of employment into the state and to revitalize existing industries like textiles and furniture manufacture. Industries like these that export their products beyond the borders of the state, and tourism and university research, which attract external funds into the state, are essential in order for the state economy to grow.

The Medicaid health insurance program for the poor, administered through the Division of Medical Assistance of the North Carolina Department of Health and Human services, is unique among state programs. Not only does Medicaid provide a wide range of health services to help poor North Carolina citizens attain optimal health status and physical functioning, it is an economic engine which attracts approximately two federal dollars for each state and local dollar invested. Thus, reductions in Medicaid funding negatively affect the state's economy in two ways. Reductions cut off the matching flow of federal dollars, and they reduce the opportunities for a large number of state citizens to contribute as productive members of the current or future workforce of the state.

It can be argued that the economic impact of Medicaid program reductions is only appropriately attributable to the loss of the federal match. This philosophy supposes that foregone tax revenues that would have gone to support the Medicaid program would flow back into the economy and therefore stimulate other sectors of the state economy. While we present our findings from this more conservative perspective as well, we feel that only accounting for the impact of the loss of federal match clearly understates the impact of the loss of state and local Medicaid support on job and income creation. Also, Medicaid reductions result in productivity losses and cost shifting that, while difficult to quantify, clearly result from total Medicaid cuts – not only loss of federal matching funds. Further complicating the tax revenue flow argument is that tax collections fall unevenly across the state. Therefore, a full analysis of the net Medicaid revenue flows would also need to consider the offsetting tax receipt flows. This latter analysis was beyond the scope of this study.

The modeling software we have employed (from a commercial vendor – IMPLAN) tracks the loss of jobs and output in individual industry sectors in each of North Carolina's 100 counties and seven economic development partnership regions. These further detail the direct economic impacts, the indirect economic

impacts, and the induced impacts. We do not report that level of detail in this report, but they can be obtained upon request.

Methods

In early April 2002, the Division of Medical Assistance (DMA) provided budget details for two potential scenarios for reducing the expenditures of the Medicaid program. These are included in the appendix as Exhibits 1 and 2 with supporting documentation. The proposed reductions were provided as 23 separate options. Each option was further detailed into the fund number, fund title, account number, and account title. Also provided with each option was an estimate of the reduction in appropriations and the reduction in receipts (the federal match).

Our ultimate objective was to track these proposed expenditure reductions to each of the 100 North Carolina counties and to the service provider types within each county. For our purposes, we did not allocate reductions to specific providers, as it was the impact by political subdivision that was of interest.

In order to distribute account numbers to categories of service (COS) we employed a mapping provided to us by Richard Cobb from DMA. In some instances an account number mapped into multiple categories of service. Once the categories of services were available and the reduction amounts allocated to COS, the COS were then allocated among each of the 100 counties in the proportions that the expenditures in each COS had exhibited during SFY 02 through December 2001.

Once the COS mappings were completed by county, each COS was mapped into one or more provider types at the county level. The provider types were then mapped into industry segments or commodity groups appropriate for input into the economic impact model. These inputs were detailed by dollar amount of the proposed reduction by industry segment for each county.

The economic impact model used in this study was IMPLAN, an economic impact assessment software system. IMPLAN is designed to estimate the economic impact of industry final demand changes in a specific area. These changes can be either positive or negative. For the present analysis, we employed the model to estimate income and job losses if Medicaid funding were to be reduced.

IMPLAN essentially traces economic flows through three stages. The first stage is the direct impact. In our case, the direct impact is the reductions in Medicaid funding by political or economic sub-unit. The next stage accounts for the indirect impact. As health care providers have their revenues reduced, they employ fewer people and purchase less in the way of goods and services in the local economy. The model is careful to account for impacts only in the state economy. Purchases of goods and services outside the state "leak out" of the model and are not considered in subsequent stages. The final stage of the

model is the induced demand which is reduced when the individuals and firms affected by reduced purchases by the health care providers also reduce their purchases of other kinds of goods and services in the local economy.

Because of economic input-output linkages, the direct effects are multiplied through the economy until the impact of the initial final demand change dies out. The precise “multipliers” used by the model vary by industry sector. The final sets of multipliers track the change as each dollar flows through the region of interest from the direct reductions in Medicaid spending to the final buying of goods and services in the induced demand stage. Eventually, all induced spending is accounted for and the cycle ends.

Results

The results of the economic impact analysis are presented in Tables 2 and 3. These tables show the impacts of the two proposed budget reductions (low option and high option) by county and economic region. Table 2 shows the impact of reductions in all funds (county, state, and local) or the *gross* impact. Table 3 shows the impact of the loss of federal matching funds only or the *net* impact.

For the **high** reduction, state and local appropriations would be decreased by \$129,715,857 and the federal receipts would fall by \$278,593,774 for a total program reduction of \$408,309,631. This translates into the probable loss of 9,700 jobs and \$706,257,420 in the value of output in the North Carolina economy, when the economic multipliers are calculated. If only the federal portion of the Medicaid fund reductions is considered, the reductions would result in 6,590 lost jobs and \$479,846,829 in output losses statewide.

Under the **low** reduction, state and local appropriations would be decreased by \$126,825,151 and the federal receipts would fall by \$272,467,295 for a total program reduction of \$399,292,466. This translates into the probable total loss of 9,500 jobs and \$690,432,383 in output in the North Carolina economy, when the economic multipliers are calculated. If only the federal portion of the Medicaid fund reductions is considered, the reductions would result in 6,454 lost jobs and \$469,094,951 in output losses statewide.

Because most health care industries are labor intensive and hire many local people who spend their money locally, the economic impact of changes in funding for health care are larger than would be the case for less labor intensive industries. In the present analysis, we found that the output multiplier for total Medicaid spending was about 1.73. This means that the total impact is 73% greater than the direct impact. This multiplier is in addition to the two to one federal match on local and state appropriations. In addition, since health care industries are mostly service industries, the initial spending (direct impact) is almost always 100% local. Except for purchases of drugs and equipment, there is very little initial leakage of funds from the local community.

If reductions of greater or lesser amounts were to be proposed, the economic impacts would necessarily need to be recalculated, as they depend upon the precise services to be reduced and ultimately on the sectors of the economy on which these reductions would fall.

In some counties there are inversions that occur between the low and high options (the lower option having higher impact than the higher option). That occurs because of the way the reduction options are allocated to specific categories of service and is not an error in the model.

**Table 2.
High and Low Reductions (All Sources)**

County	Loss from 'High' Option		Loss from 'Low' Option	
	Number of Jobs	Output	Number of Jobs	Output
Alleghany	15.8	\$ 908,614	15.9	\$ 910,382
Ashe	34.8	\$ 1,941,821	34.8	\$ 1,936,211
Avery	51.8	\$ 3,375,428	51.5	\$ 3,350,601
Buncombe	292.8	\$ 19,579,641	286.2	\$ 19,078,782
Burke	143.3	\$ 10,538,609	142.1	\$ 10,412,249
Caldwell	197.3	\$ 14,359,803	196	\$ 14,285,416
Cherokee	23.6	\$ 1,534,876	23.7	\$ 1,535,754
Clay	21.5	\$ 1,185,131	20.5	\$ 1,131,054
Graham	15.5	\$ 877,925	15.6	\$ 876,751
Haywood	37.4	\$ 2,341,142	37.4	\$ 2,330,257
Henderson	73.7	\$ 4,783,437	73.5	\$ 4,745,286
Jackson	33.5	\$ 2,327,168	33.1	\$ 2,301,852
Macon	43.5	\$ 2,701,879	43.1	\$ 2,677,076
Madison	18.9	\$ 972,244	18.8	\$ 959,981
McDowell	32.8	\$ 1,906,413	32.7	\$ 1,882,767
Mitchell	23.5	\$ 1,385,862	22.8	\$ 1,882,767
Polk	17.6	\$ 971,829	17.8	\$ 1,882,767
Rutherford	67	\$ 3,704,318	66.2	\$ 1,882,767
Swain	14.6	\$ 1,197,027	14.1	\$ 1,882,767
Transylvania	21.6	\$ 1,271,320	21.6	\$ 1,882,767
Watauga	36.3	\$ 2,447,206	35.9	\$ 1,882,767
Wilkes	48.5	\$ 3,081,733	47.8	\$ 1,882,767
Yancey	18.7	\$ 893,540	18.5	\$ 1,882,767
Advantage West Region	1,478.20	\$ 99,257,801	1,462.6	\$ 1,882,767

County	Loss from 'High' Option		Loss from 'Low' Option	
	Number of Jobs	Output	Number of Jobs	Output
Alexander	21.8	\$ 1,168,921	21.6	\$ 1,164,813
Anson	21.3	\$ 1,165,521	20.7	\$ 1,133,741
Cabarrus	93.9	\$ 7,003,474	92.7	\$ 6,889,302
Catawba	133.3	\$ 10,504,539	131.2	\$ 10,364,767
Cleveland	103	\$ 6,582,533	98.5	\$ 6,230,205
Gaston	167.5	\$ 11,530,890	164.7	\$ 11,334,449
Iredell	94.6	\$ 7,140,346	93.5	\$ 7,047,912
Lincoln	51.4	\$ 3,148,861	50.6	\$ 3,088,102
Mecklenburg	602.5	\$ 47,924,938	586.8	\$ 46,522,723
Rowan	100.2	\$ 6,061,049	97.8	\$ 5,855,172
Stanly	68.1	\$ 3,993,227	68	\$ 3,983,128
Union	35.1	\$ 2,240,110	34.4	\$ 2,174,919
Charlotte Region	1,678.0	\$ 125,954,401	1,570.0	\$ 117,860,062

County	Loss from 'High' Option		Loss from 'Low' Option	
	Number of Jobs	Output	Number of Jobs	Output
Alamance	121.7	\$ 7,703,582	120.4	\$ 8,384,447
Caswell	12.4	\$ 700,808	12.3	\$ 694,921
Davidson	73	\$ 4,794,219	71.9	\$ 4,719,697
Davie	27.9	\$ 1,697,583	27.9	\$ 1,695,873
Forsyth	415.2	\$ 29,339,598	399.3	\$ 28,206,873
Guilford	425	\$ 30,273,420	413	\$ 29,392,861
Montgomery	19.5	\$ 1,054,942	19	\$ 1,003,810
Randolph	107.4	\$ 7,972,891	102.2	\$ 7,325,774
Rockingham	97	\$ 6,268,563	95.3	\$ 6,151,765
Stokes	23.3	\$ 1,260,496	23.2	\$ 1,250,596
Surry	94.1	\$ 6,004,479	93.4	\$ 5,970,941
Yadkin	36.5	\$ 2,054,841	36.5	\$ 2,052,792
Piedmont Triad Region	1,516.8	\$ 107,011,164	1,481.7	\$ 104,369,036

County	Loss from 'High' Option		Loss from 'Low' Option	
	Number of Jobs	Output	Number of Jobs	Output
Bladen	25.6	\$ 1,090,940	24.8	\$ 1,028,725
Brunswick	42.3	\$ 2,151,724	41.5	\$ 2,088,012
Columbus	111.1	\$ 8,288,327	108.5	\$ 8,103,555
Cumberland	280.2	\$ 18,432,885	268.1	\$ 17,533,897
Hoke	15.3	\$ 874,883	14.4	\$ 802,904
New Hanover	269.1	\$ 16,807,963	259.6	\$ 16,217,019
Pender	33.5	\$ 2,045,891	32	\$ 1,942,584
Richmond	50.4	\$ 2,940,842	49.7	\$ 2,900,708
Robeson	176.6	\$ 12,838,994	173.5	\$ 12,567,634
Sampson	45.1	\$ 2,407,060	43.7	\$ 2,328,320
Southeast Region	1,114.4	\$ 75,209,626	1,078.20	\$ 72,636,977

County	Loss from 'High' Option		Loss from 'Low' Option	
	Number of Jobs	Output	Number of Jobs	Output
Chatham	32.3	\$ 1,716,395	31.8	\$ 1,697,225
Durham	269.4	\$ 19,280,258	266.7	\$ 19,080,316
Franklin	46.2	\$ 2,472,955	44.6	\$ 2,366,570
Granville	27.5	\$ 1,260,349	27.2	\$ 1,245,897
Harnett	74.1	\$ 4,290,216	72.1	\$ 4,143,896
Johnston	75.4	\$ 4,972,128	73.7	\$ 4,824,967
Lee	79.8	\$ 4,986,899	78.2	\$ 4,872,619
Moore	128.4	\$ 10,042,532	127	\$ 9,935,689
Orange	68.6	\$ 4,346,233	66.5	\$ 4,576,550
Person	33.3	\$ 1,710,656	33.1	\$ 1,702,822
Vance	49	\$ 3,472,620	47.6	\$ 3,365,615
Wake	587	\$ 48,281,808	572.4	\$ 47,109,575
Warren	13.1	\$ 512,938	13	\$ 503,643
Research Triangle Region	1,709.10	\$ 128,251,254	1,677.70	\$ 125,730,610

County	Loss from 'High' Option		Loss from 'Low' Option	
	Number of Jobs	Output	Number of Jobs	Output
Carteret	44.6	\$ 2,741,023	42.7	\$ 2,606,754
Craven	122.1	\$ 7,698,746	119.2	\$ 7,479,633
Duplin	45.2	\$ 2,627,465	43.7	\$ 2,536,319
Edgecombe	63.6	\$ 4,017,835	59.9	\$ 3,683,723
Greene	26.1	\$ 1,637,822	25.3	\$ 1,594,685
Jones	0.2	\$ 21,490	0.2	\$ 21,425
Lenoir	102.8	\$ 8,286,815	100	\$ 8,099,975
Nash	102.6	\$ 8,116,182	101.8	\$ 8,042,069
Onslow	87.2	\$ 5,310,506	84.7	\$ 5,139,488
Pamlico	9.7	\$ 720,840	9.8	\$ 724,904
Pitt	136.6	\$ 8,712,749	130.4	\$ 8,313,482
Wayne	151.9	\$ 9,319,222	147.1	\$ 9,008,806
Wilson	133.5	\$ 8,111,944	132.6	\$ 8,028,785
East Region	1,260.6	\$ 82,702,446	1,230.7	\$ 80,508,464

County	Loss from 'High' Option		Loss from 'Low' Option	
	Number of Jobs	Output	Number of Jobs	Output
Beaufort	47.4	\$ 2,411,982	47.2	\$ 2,389,369
Bertie	36.9	\$ 2,185,637	36.7	\$ 2,169,986
Camden	0.5	\$ 23,628	0.5	\$ 21,992
Chowan	31.1	\$ 1,672,300	30.8	\$ 1,652,112
Currituck	4.4	\$ 216,779	4.3	\$ 214,088
Dare	6.3	\$ 413,110	5.9	\$ 383,203
Gates	3.9	\$ 167,011	3.6	\$ 141,168
Halifax	53.9	\$ 3,712,353	58.3	\$ 3,640,827
Hertford	57.1	\$ 3,957,396	56.5	\$ 3,924,110
Hyde	5.8	\$ 257,681	5.7	\$ 255,511
Martin	30.9	\$ 1,987,924	29.9	\$ 1,939,961
North Hampton	18.2	\$ 805,507	18	\$ 798,651
Pasquotank	35	\$ 2,271,651	34.2	\$ 2,212,042
Perquimans	5.5	\$ 189,304	5.4	\$ 186,474
Tyrrell	0.5	\$ 44,120	0.3	\$ 26,186
Washington	17.4	\$ 932,114	17.2	\$ 776,485
Northeast Region	450.1	\$ 28,449,989	443.0	\$ 27,999,317

State Total	9,699.4	\$ 706,257,420	9,499.6	\$ 690,432,383
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**Table 3.
High and Low Reductions (Federal Only)**

County	Loss from 'High' Option		Loss from 'Low' Option	
	Number of Jobs	Output	Number of Jobs	Output
Alleghany	10.7	\$ 617,332	10.8	\$ 618,534
Ashe	23.6	\$ 1,319,316	23.6	\$ 1,315,504
Avery	35.2	\$ 2,293,340	35.0	\$ 2,276,472
Buncombe	198.9	\$ 13,302,839	194.5	\$ 12,962,544
Burke	97.4	\$ 7,160,163	96.5	\$ 7,074,311
Caldwell	134.0	\$ 9,756,366	133.2	\$ 9,705,826
Cherokee	16.0	\$ 1,042,829	16.1	\$ 1,043,425
Clay	14.6	\$ 805,204	13.9	\$ 768,463
Graham	10.5	\$ 596,482	10.6	\$ 595,684
Haywood	25.4	\$ 1,590,623	25.4	\$ 1,583,228
Henderson	50.1	\$ 3,249,972	49.9	\$ 3,224,052
Jackson	22.8	\$ 1,581,129	22.5	\$ 1,563,929
Macon	29.6	\$ 1,835,716	29.3	\$ 1,818,864
Madison	12.8	\$ 660,564	12.8	\$ 652,232
McDowell	22.3	\$ 1,295,259	22.2	\$ 1,279,193
Mitchell	16.0	\$ 941,585	15.5	\$ 1,279,193
Polk	12.0	\$ 660,282	12.1	\$ 1,279,193
Rutherford	45.5	\$ 2,516,795	45.0	\$ 1,279,193
Swain	9.9	\$ 813,286	9.6	\$ 1,279,193
Transylvania	14.7	\$ 863,763	14.7	\$ 1,279,193
Watauga	24.7	\$ 1,662,686	24.4	\$ 1,279,193
Wilkes	33.0	\$ 2,093,797	32.5	\$ 1,279,193
Yancey	12.7	\$ 607,091	12.6	\$ 1,279,193
Advantage West Region	1004.3	\$ 67,437,934	993.7	\$ 1,279,193

County	Loss from 'High' Option		Loss from 'Low' Option	
	Number of Jobs	Output	Number of Jobs	Output
Alexander	14.8	\$ 794,191	14.7	\$ 791,400
Anson	14.4	\$ 791,881	14.1	\$ 770,289
Cabarrus	63.8	\$ 4,758,314	63.0	\$ 4,680,743
Catawba	90.6	\$ 7,137,015	89.1	\$ 7,042,051
Cleveland	70.0	\$ 4,472,318	66.9	\$ 4,232,938
Gaston	113.8	\$ 7,834,340	111.9	\$ 7,700,874
Iredell	64.3	\$ 4,851,308	63.5	\$ 4,788,506
Lincoln	34.9	\$ 2,139,405	34.4	\$ 2,098,124
Mecklenburg	409.4	\$ 32,561,257	398.7	\$ 31,608,562
Rowan	68.1	\$ 4,118,010	66.4	\$ 3,978,133
Stanly	46.3	\$ 2,713,086	46.2	\$ 2,706,225
Union	23.8	\$ 1,521,980	23.4	\$ 1,477,688
Charlotte Region	1140.1	\$ 85,576,191	1066.7	\$ 80,076,719

County	Loss from 'High' Option		Loss from 'Low' Option	
	Number of Jobs	Output	Number of Jobs	Output
Alamance	82.7	\$ 5,233,983	81.8	\$ 5,696,578
Caswell	8.4	\$ 476,144	8.4	\$ 472,145
Davidson	49.6	\$ 3,257,298	48.9	\$ 3,206,666
Davie	19.0	\$ 1,153,375	19.0	\$ 1,152,213
Forsyth	282.1	\$ 19,933,968	271.3	\$ 19,164,370
Guilford	288.8	\$ 20,568,428	280.6	\$ 19,970,156
Montgomery	13.2	\$ 716,751	12.9	\$ 682,011
Randolph	73.0	\$ 5,416,958	69.5	\$ 4,977,292
Rockingham	65.9	\$ 4,259,000	64.7	\$ 4,179,644
Stokes	15.8	\$ 856,409	15.8	\$ 849,682
Surry	63.9	\$ 4,079,575	63.5	\$ 4,056,789
Yadkin	24.8	\$ 1,396,104	24.8	\$ 1,394,712
Piedmont Triad Region	1030.6	\$ 72,705,739	1006.7	\$ 70,910,619

County	Loss from 'High' Option		Loss from 'Low' Option	
	Number of Jobs	Output	Number of Jobs	Output
Bladen	17.4	\$ 741,209	16.8	\$ 698,938
Brunswick	28.7	\$ 1,461,929	28.2	\$ 1,418,641
Columbus	75.5	\$ 5,631,272	73.7	\$ 5,505,734
Cumberland	190.4	\$ 12,523,708	182.2	\$ 11,912,915
Hoke	10.4	\$ 594,415	9.8	\$ 545,511
New Hanover	182.8	\$ 11,419,700	176.4	\$ 11,018,199
Pender	22.8	\$ 1,390,023	21.7	\$ 1,319,834
Richmond	34.2	\$ 1,998,073	33.8	\$ 1,970,805
Robeson	120.0	\$ 8,723,095	117.9	\$ 8,538,727
Sampson	30.6	\$ 1,635,410	29.7	\$ 1,581,912
Southeast Region	757.2	\$ 51,099,075	732.6	\$ 49,351,160

County	Loss from 'High' Option		Loss from 'Low' Option	
	Number of Jobs	Output	Number of Jobs	Output
Chatham	21.9	\$ 1,166,157	21.6	\$ 1,153,132
Durham	183.0	\$ 13,099,431	181.2	\$ 12,963,586
Franklin	31.4	\$ 1,680,180	30.3	\$ 1,607,900
Granville	18.7	\$ 856,309	18.5	\$ 846,490
Harnett	50.3	\$ 2,914,867	49.0	\$ 2,815,454
Johnston	51.2	\$ 3,378,173	50.1	\$ 3,278,189
Lee	54.2	\$ 3,388,209	53.1	\$ 3,310,565
Moore	87.2	\$ 6,823,117	86.3	\$ 6,750,526
Orange	46.6	\$ 2,952,926	45.2	\$ 3,109,409
Person	22.6	\$ 1,162,257	22.5	\$ 1,156,935
Vance	33.3	\$ 2,359,374	32.3	\$ 2,286,673
Wake	398.8	\$ 32,803,723	388.9	\$ 32,007,282
Warren	8.9	\$ 348,501	8.8	\$ 342,186
Research Triangle Region	1161.2	\$ 87,136,723	1139.9	\$ 85,424,143

County	Loss from 'High' Option		Loss from 'Low' Option	
	Number of Jobs	Output	Number of Jobs	Output
Carteret	30.3	\$ 1,862,311	29.0	\$ 1,771,086
Craven	83.0	\$ 5,230,697	81.0	\$ 5,081,827
Duplin	30.7	\$ 1,785,158	29.7	\$ 1,723,231
Edgecombe	43.2	\$ 2,729,805	40.7	\$ 2,502,802
Greene	17.7	\$ 1,112,772	17.2	\$ 1,083,464
Jones	0.1	\$ 14,601	0.1	\$ 14,557
Lenoir	69.8	\$ 5,630,244	67.9	\$ 5,503,301
Nash	69.7	\$ 5,514,313	69.2	\$ 5,463,959
Onslow	59.2	\$ 3,608,075	57.5	\$ 3,491,881
Pamlico	6.6	\$ 489,755	6.7	\$ 492,516
Pitt	92.8	\$ 5,919,633	88.6	\$ 5,648,363
Wayne	103.2	\$ 6,331,684	99.9	\$ 6,120,781
Wilson	90.7	\$ 5,511,433	90.1	\$ 5,454,933
East Region	856.5	\$ 56,189,861	836.2	\$ 54,699,222

County	Loss from 'High' Option		Loss from 'Low' Option	
	Number of Jobs	Output	Number of Jobs	Output
Beaufort	32.2	\$ 1,638,754	32.1	\$ 1,623,390
Bertie	25.1	\$ 1,484,970	24.9	\$ 1,474,336
Camden	0.3	\$ 16,053	0.3	\$ 14,942
Chowan	21.1	\$ 1,136,197	20.9	\$ 1,122,481
Currituck	3.0	\$ 147,284	2.9	\$ 145,456
Dare	4.3	\$ 280,676	4.0	\$ 260,357
Gates	2.6	\$ 113,471	2.4	\$ 95,913
Halifax	36.6	\$ 2,522,254	39.6	\$ 2,473,658
Hertford	38.8	\$ 2,688,742	38.4	\$ 2,666,127
Hyde	3.9	\$ 175,074	3.9	\$ 173,600
Martin	21.0	\$ 1,350,639	20.3	\$ 1,318,052
North Hampton	12.4	\$ 547,279	12.2	\$ 542,621
Pasquotank	23.8	\$ 1,543,410	23.2	\$ 1,502,910
Perquimans	3.7	\$ 128,617	3.7	\$ 126,695
Tyrrell	0.3	\$ 29,976	0.2	\$ 17,791
Washington	11.8	\$ 633,299	11.7	\$ 527,561
Northeast Region	305.8	\$ 19,329,549	301.0	\$ 19,023,352
Federal Total	6590.0	\$ 479,846,829	6454.2	\$ 469,094,951

Appendix

EXHIBIT 1

DIVISION OPTIONS FOR SFY 2002-03 RECURRING REDUCTIONS (VARYING PERCENTAGES)

Impact to State Appropriations Only Summary with lower Alternatives

Division Name: Division of Medical Assistance
 Budget Code: 14445
 SFY 2002-03 Total Appropriations (Per BD 307):

State	Federal	Total
\$ 2,545,367,731		

		Percentage of Reduction		
		6%		
		Calculated Dollar Value of Percentages Shown		
		\$ 152,722,064		
LIST OPTIONS BELOW:				
1	Define the "efficient Provider" for Nursing Facilities, Intermediate Care Facilities for the Mentally Retarded and Adult Care Home - Personal Care Services.	\$ 20,074,190	\$ 43,972,002	\$ 64,046,192
2	Contract for Home Health Supplies	\$ 1,614,626	\$ 3,421,991	\$ 5,036,617
3	Contract for Durable Medical Equipment	\$ 679,688	\$ 1,440,511	\$ 2,120,199
4	Contract for Home Infusion Therapy	\$ 107,341	\$ 227,495	\$ 334,836
5	Establish Prospective Rates for Home Health Services	\$ 3,589,742	\$ 7,607,993	\$ 11,197,735
6	Reduce Payments to Hospitals	\$ 20,810,909	\$ 44,106,027	\$ 64,916,936
7	Contract for prescription drugs supplied to Medicaid recipients in Nursing, Intermediate Care for the Mentally Retarded and Adult Care Home facilities.	\$ 4,212,622	\$ 8,928,107	\$ 13,140,729
8	Elimination of Chiropractic optional services	\$ 335,647	\$ 711,360	\$ 1,047,007
9	Elimination of Eyeglasses optional services	\$ 1,198,821	\$ 2,540,746	\$ 3,739,567
10	Elimination of Optometry optional services	\$ 1,241,737	\$ 2,631,701	\$ 3,873,438
11	Elimination of Podiatry optional services	\$ 539,559	\$ 1,143,525	\$ 1,683,084
12	Elimination of adult Dental optional services (lower alternative)	\$ 2,560,936	\$ 5,427,572	\$ 7,988,508
13	Modify eligibility coverage for low-income Work First families	\$ 425,561	\$ 914,421	\$ 1,339,982
14	Modify eligibility coverage for Pregnant Woman coverage for Minors	\$ 244,793	\$ 548,953	\$ 793,746
15	Modify eligibility coverage for Assets of the Aged & Disabled	\$ 3,028,281	\$ 6,418,053	\$ 9,446,334
16	Modify eligibility coverage for Asset Transfer Penalties for PCS recipients	\$ 423,959	\$ 897,377	\$ 1,321,336
17	Maintain CAP- Aids program expenditures at SFY03 Certified Budget levels	\$ 105,311	\$ 223,193	\$ 328,504
18	Maintain CAP - Disabled program expenditures at SFY03 Certified Budget levels	\$ 19,776,601	\$ 41,913,945	\$ 61,690,546
19	Maintain CAP - MR program expenditures at SFY03 Certified Budget levels	\$ 23,896,202	\$ 50,644,906	\$ 74,541,108
20	Maintain CAP - Children program expenditures at SFY03 Certified Budget levels	\$ 2,628,856	\$ 5,571,520	\$ 8,200,376
21	Reduce payments for prescription drugs from 90% to 85% of average wholesale price	\$ 16,382,660	\$ 34,720,926	\$ 51,103,586
22	Limit Personal Care Services to 3 hrs. per day and 60 hrs. per month	\$ 2,655,057	\$ 7,836,005	\$ 10,491,062
23	Limit Private Duty Nursing (lower alternative)	\$ 292,052	\$ 618,966	\$ 911,018
TOTAL REDUCTION		\$ 126,825,151	\$ 272,467,295	\$ 399,292,446
One - percent reduction in rate payments		\$ 9,358,569		

Estimates Subject to Change Based on Future Projections

EXHIBIT 2

DIVISION OPTIONS FOR SFY 2002-03 RECURRING REDUCTIONS (VARYING PERCENTAGES)

**Impact to State Appropriations Only
Summary with higher Alternatives**

Division Name: Division of Medical Assistance

Budget Code: 14445

SFY 2002-03 Total Appropriations Required per current forecast:

State & County

Federal

Total

\$ 2,545,367,731

Percentage of Reduction
Calculated Dollar Value of Percentages Shown

6%

\$ 152,722,064

LIST OPTIONS BELOW:

		State & County	Federal	Total
1	Define the "efficient Provider" for Nursing Facilities, Intermediate Care Facilities for the Mentally Retarded and Adult Care Home - Personal Care Services.	\$ 20,074,190	\$ 43,972,002	\$ 64,046,192
2	Contract for Home Health Supplies	\$ 1,614,626	\$ 3,421,991	\$ 5,036,617
3	Contract for Durable Medical Equipment	\$ 679,688	\$ 1,440,511	\$ 2,120,199
4	Contract for Home Infusion Therapy	\$ 107,341	\$ 227,495	\$ 334,836
5	Establish Prospective Rates for Home Health Services	\$ 3,589,742	\$ 7,607,993	\$ 11,197,735
6	Reduce Payments to Hospitals	\$ 20,810,909	\$ 44,106,027	\$ 64,916,936
7	Contract for prescription drugs supplied to Medicaid recipients in Nursing, Intermediate Care for the Mentally Retarded and Adult Care Home facilities.	\$ 4,212,622	\$ 8,928,107	\$ 13,140,729
8	Elimination of Chiropractic optional services	\$ 335,647	\$ 711,360	\$ 1,047,007
9	Elimination of Eyeglasses optional services	\$ 1,198,821	\$ 2,540,746	\$ 3,739,567
10	Elimination of Optometry optional services	\$ 1,241,737	\$ 2,631,701	\$ 3,873,438
11	Elimination of Podiatry optional services	\$ 539,559	\$ 1,143,525	\$ 1,683,084
12	Elimination of adult Dental optional services (higher alternative)	\$ 5,121,782	\$ 10,854,954	\$ 15,976,736
13	Modify eligibility coverage for low-income Work First families	\$ 425,561	\$ 914,421	\$ 1,339,982
14	Modify eligibility coverage for Pregnant Woman coverage for Minors	\$ 244,793	\$ 548,953	\$ 793,746
15	Modify eligibility coverage for Assets of the Aged & Disabled	\$ 3,028,281	\$ 6,418,053	\$ 9,446,334
16	Modify eligibility coverage for Asset Transfer Penalties for PCS recipients	\$ 423,959	\$ 897,377	\$ 1,321,336
17	Maintain CAP- Aids program expenditures at SFY03 Certified Budget levels	\$ 105,311	\$ 223,193	\$ 328,504
18	Maintain CAP - Disabled program expenditures at SFY03 Certified Budget levels	\$ 19,776,601	\$ 41,913,945	\$ 61,690,546
19	Maintain CAP - MR program expenditures at SFY03 Certified Budget levels	\$ 23,896,202	\$ 50,644,906	\$ 74,541,108
20	Maintain CAP - Children program expenditures at SFY03 Certified Budget levels	\$ 2,628,856	\$ 5,571,520	\$ 8,200,376
21	Reduce payments for prescription drugs from 90% to 85% of average wholesale price	\$ 16,382,660	\$ 34,720,926	\$ 51,103,586
22	Limit Personal Care Services to 3 hrs. per day and 60 hrs. per month	\$ 2,655,057	\$ 7,836,005	\$ 10,491,062
23	Limit Private Duty Nursing (higher alternative)	\$ 621,912	\$ 1,318,063	\$ 1,939,975
	TOTAL REDUCTION	\$ 129,715,857	\$ 278,593,774	\$ 408,309,631
	One - percent reduction in rate payments	\$ 9,358,569		

Estimates Subject to Change Based on Future Projections

Documentation

SFY 2002-03 BUDGET REDUCTIONS - DHHS DIVISION OPTIONS DETAIL WORKSHEETS

Name of Division/Institution: Division of Medical Assistance

Title of Option: Establish the "efficient provider" for services provided in the long-term care setting
Option 1 of 23 for SFY 02-03

Description of Option:

By reviewing cost report information and correlating this information with patient needs, DMA could establish an operating profile of the "efficient provider". Payment amounts to providers would be based on the performance of this efficient provider serving patients with varying levels of needs. As such, costs would be reviewed to establish appropriate payment limits on the various cost categories and to limit adverse impacts due to low occupancy rates. Prospective payment rates then would promote cost effective decisions by providers and would reduce the influence of cost reimbursements insofar as such reimbursements currently effect future rate determinations. The separate payments for direct and indirect costs as well as the distinct payment for return on equity might be eliminated.

Program Impact if Option is Approved:

Some providers may not be able to sustain operations and may go out of business.

Budgetary Information:

	Fund Number	Fund Title	Account Number	Account Title	Reduction 2002-03
	1310	Medical Assist. Payments	536109	LTC - SNF SO & NSO	\$ 23,159,103
	1310	Medical Assist. Payments	536111	LTC - ICF - SO & NSO	23,889,230
	1310	Medical Assist. Payments	536113	LTC - ICF MRC, NSO	10,490,766
	1310	Medical Assist. Payments	536184	ACH - PCS - Basic	5,956,296
	1310	Medical Assist. Payments	536185	ACH - PCS - Enhanced	550,797
REQUIREMENTS					\$ 64,046,192
RECEIPTS					\$ 43,972,002
APPROPRIATIONS					\$ 20,074,190
NO. OF POSITIONS					

Other Considerations:

- Are statutory changes or special provisions required to implement? ___ Yes No If yes, provide additional information
- Does this option require additional resources/reduced resources to another state agency? ___ Yes No If yes, name the agency and the funds required/reduced.
- Does this option related to a capital improvement project? ___ Yes No If yes, what is the title of the capital improvement project and the projected completion date?

**SFY 2002-03 BUDGET REDUCTIONS - DHHS DIVISION OPTIONS
DETAIL WORKSHEETS**

Name of Division/Institution: Division of Medical Assistance

Title of Option: Contract for Home Health Supplies
Option 2 of 23 for SFY 02-03

Description of Option:

Home Health Supplies presently are paid by use of a fee schedule. This program includes items such as diapers, wound dressings and bandages. There is no restriction on the number of providers who may enroll in Medicaid to provide services. The current number of enrolled providers is 169. Contracting with fewer providers is expected to be less expensive than the current fee schedule. Successful bidding contractors would be assured of a market that is adequate in size to promote cost effective operations, and such cost effective operations should promote a lower cost for services. The contractor will have to assure appropriate service provisions to meet Medicaid recipient needs. It is recommended that Durable Medical Equipment and Home Infusion Therapy be included in this contract.

Program Impact if Option is Approved:

By using a limited number of providers under a contract, there is a potential that other Medicaid enrolled providers may not be able to sustain operations and may go out of business.

Budgetary Information:

Fund Number	Fund Title	Account Number	Account Title	Reduction 2002-03
1310	Medical Assist. Payments	536129	Home Health	\$ 5,036,617
REQUIREMENTS				\$ 5,036,617
RECEIPTS				\$ 3,421,991
APPROPRIATIONS				\$ 1,614,626
NO. OF POSITIONS				

Other Considerations:

- Are statutory changes or special provisions required to implement? ___ Yes X No If yes, provide additional information
- Does this option require additional resources/reduced resources to another state agency? ___ Yes X No If yes, name the agency and the funds required/reduced.
- Does this option related to a capital improvement project? ___ Yes X No If yes, what is the title of the capital improvement project and the projected completion date?

**SFY 2002-03 BUDGET REDUCTIONS - DHHS DIVISION OPTIONS
DETAIL WORKSHEETS**

Name of Division/Institution: Division of Medical Assistance

Title of Option: Contract for Durable Medical Equipment
Option 3 of 23 for SFY 02-03

Description of Option:

Durable Medical Equipment presently is paid by the use of a fee schedule. There is no restriction on the number of providers who may enroll in Medicaid to provide services. The current number of enrolled providers is 4,270. Contracting with fewer providers is expected to be less expensive than the current fee schedule. Successful bidding contractors would be assured of a market that is adequate in size to promote cost effective operations, and such cost effective operations should promote a lower cost for services. The contractor will have to assure appropriate service provisions to meet Medicaid recipient needs. It is recommended that Home Infusion Therapy and Home Health Supplies be included in this contract.

Program Impact if Option is Approved:

By using a limited number of providers under a contract, there is a potential that other Medicaid enrolled providers may not be able to sustain operations and may go out of business.

Budgetary Information:

Fund Number	Fund Title	Account Number	Account Title	Reduction 2002-03
1310	Medical Assist. Payments	536165	Durable Medical Equipment	\$ 2,120,199
REQUIREMENTS				\$ 2,120,199
RECEIPTS				\$ 1,440,511
APPROPRIATIONS				\$ 679,688
NO. OF POSITIONS				

Other Considerations:

- Are statutory changes or special provisions required to implement? ___ Yes X No If yes, provide additional information
- Does this option require additional resources/reduced resources to another state agency? ___ Yes X No If yes, name the agency and the funds required/reduced.
- Does this option related to a capital improvement project? ___ Yes X No If yes, what is the title of the capital improvement project and the projected completion date?

**SFY 2002-03 BUDGET REDUCTIONS - DHHS DIVISION OPTIONS
DETAIL WORKSHEETS**

Name of Division/Institution: Division of Medical Assistance

Title of Option: Contract for Home Infusion Therapy
Option 4 of 23 for SFY 02-03

Description of Option:

Home Infusion Therapy presently is paid by the use of a daily rate. There is no restriction on the number of providers who may enroll in Medicaid to provide services. The current number of enrolled providers is 365. Contracting with fewer providers is expected to be less expensive than the current rate schedule. Successful bidding contractors would be assured of a market that is adequate in size to promote cost effective operations, and such cost effective operations should promote a lower cost for services. The contractor will have to assure appropriate service provisions to meet Medicaid recipient needs. Durable Medical Equipment and Home Health Supplies would be included in this contract.

Program Impact if Option is Approved:

By using a limited number of providers under a contract there is a potential that other Medicaid enrolled providers may not be able to sustain operations and may go out of business.

Budgetary Information:

Fund Number	Fund Title	Account Number	Account Title	Reduction 2002-03
1310	Medical Assist. Payments	536171	Home Infusion Therapy	\$ 334,836
REQUIREMENTS				\$ 334,836
RECEIPTS				\$ 227,495
APPROPRIATIONS				\$ 107,341
NO. OF POSITIONS				

Other Considerations:

- Are statutory changes or special provisions required to implement? ___ Yes X No If yes, provide additional information
- Does this option require additional resources/reduced resources to another state agency? ___ Yes X No If yes, name the agency and the funds required/reduced.
- Does this option related to a capital improvement project? ___ Yes X No If yes, what is the title of the capital improvement project and the projected completion date?

**SFY 2002-03 BUDGET REDUCTIONS - DHHS DIVISION OPTIONS
DETAIL WORKSHEETS**

Name of Division/Institution: Division of Medical Assistance

Title of Option: Establish Prospective Rates for Home Health Services
Option 5 of 23 for SFY 02-03

Description of Option:

Costs of care would be reviewed and correlated to the specific needs of recipients. Prospective rate payments would be based on a needs assessment that reflects specific needs by recipient, and payment would be made to the provider based on the assessment. Payment would no longer be tied to the number of provider visits but tied instead to the recipient's specific needs. Medicare has moved to a prospective (fixed amount) payment. The move has reduced Medicare cost without a deterioration in the level of patient care.

Program Impact if Option is Approved:

No adverse impact is expected based on the Medicare experience.

Budgetary Information:

	Fund Number	Fund Title	Account Number	Account Title	Reduction 2002-03
	1310	Medical Assist. Payments	536129	Home Health	\$ 11,197,735
REQUIREMENTS					\$ 11,197,735
RECEIPTS					\$ 7,607,993
APPROPRIATIONS					\$ 3,589,742
NO. OF POSITIONS					

Other Considerations:

- Are statutory changes or special provisions required to implement? ___ Yes X No If yes, provide additional information
- Does this option require additional resources/reduced resources to another state agency? ___ Yes X No If yes, name the agency and the funds required/reduced.
- Does this option related to a capital improvement project? ___ Yes X No If yes, what is the title of the capital improvement project and the projected completion date?

**SFY 2002-03 BUDGET REDUCTIONS - DHHS DIVISION OPTIONS
DETAIL WORKSHEETS**

Name of Division/Institution: Division of Medical Assistance

Title of Option: Reduce Payments to Hospitals
Option 6 of 23 for SFY 02-03

Description of Option:

Examine payments to Hospitals for inpatient, outpatient and emergency services and determine the least harmful reductions in payments which may be realized. Options to be considered include using waivers to reduce hospital costs associated with billing to Medicaid, implementing a revised outpatient/emergency payment method (currently paid at 80% of cost) to relate payment to service received or applying a 5% reduction to current payment rates. Some portion of reductions to be achieved might be offset by increases in supplemental payments which cover a portion of hospital deficits.

Program Impact if Option is Approved:

Payments to hospitals do not reflect current costs. Reductions in total payments will reduce hospital receipts further. Because hospitals are expected to provide services to Medicaid recipients, the financial viability of some hospitals may be affected.

Budgetary Information:

Fund Number	Fund Title	Account Number	Account Title	Reduction 2002-03
1310	Medical Assist. Payments	536101	Hospital Inpatient General	\$ 21,638,979
1310	Medical Assist. Payments	536121	Hospital Outpatient General	\$ 21,638,979
1310	Medical Assist. Payments	536154	Hospital Outpatient ER	\$ 21,638,979
REQUIREMENTS				\$ 64,916,936
RECEIPTS				\$ 44,106,027
APPROPRIATIONS				\$ 20,810,909
NO. OF POSITIONS				

Other Considerations:

- Are statutory changes or special provisions required to implement? ___ Yes X No If yes, provide additional information
- Does this option require additional resources/reduced resources to another state agency? ___ Yes X No If yes, name the agency and the funds required/reduced.
- Does this option related to a capital improvement project? ___ Yes X No If yes, what is the title of the capital improvement project and the projected completion date?

**SFY 2002-03 BUDGET REDUCTIONS - DHHS DIVISION OPTIONS
DETAIL WORKSHEETS**

Name of Division/Institution: Division of Medical Assistance

Title of Option: Elimination of Chiropractic Coverage optional services
Option 8 of 23 for SFY 02-03

Description of Option:

Eliminate coverage for chiropractor services for adult Medicaid recipients. North Carolina Medicaid covers manual manipulation of the spine to correct subluxation which has resulted in a neuromusculoskeletal condition for which manipulation is appropriate and delivered by a duly licensed chiropractor. In an average month, 1,571 adult recipients received chiropractic services during SFY01 from 630 enrolled providers. Visits are included in the 24 – visit limit to medical providers.

Program Impact if Option is Approved:

Elimination of this service is likely to decrease expenditures. To relieve symptoms however, some recipients may seek other treatment modalities such as medication, physical therapy or surgery.

Budgetary Information:

Fund Number	Fund Title	Account Number	Account Title	Reduction 2002-03
1310	Medical Assist. Payments	536118	Chiropractic	\$ 1,047,007
REQUIREMENTS				\$ 1,047,007
RECEIPTS				\$ 711,360
APPROPRIATIONS				\$ 335,647
NO. OF POSITIONS				

Other Considerations:

- Are statutory changes or special provisions required to implement? X Yes ___ No If yes, provide additional information
- Does this option require additional resources/reduced resources to another state agency? ___ Yes X No If yes, name the agency and the funds required/reduced.
- Does this option related to a capital improvement project? ___ Yes X No If yes, what is the title of the capital improvement project and the projected completion date?

**SFY 2002-03 BUDGET REDUCTIONS - DHHS DIVISION OPTIONS
DETAIL WORKSHEETS**

Name of Division/Institution: Division of Medical Assistance

Title of Option: Elimination of Optometry Coverage optional services
Option 10 of 23 for SFY 02-03

Description of Option:

Eliminate coverage of optometry services for adult Medicaid recipients. Currently, North Carolina Medicaid covers one visual exam each year for recipients from birth to 24 years of age. One visual exam is covered every two years for recipients age 25 and older. In an average month, 9,607 recipients received optometry services during SFY01.

Program Impact if Option is Approved:

Elimination of this service is likely to reduce expenditures. However, some recipients may seek eye exams from Ophthalmologists. Some health problems might go unnoticed because most recipients will forego routine eye examinations.

Budgetary Information:

	Fund Number	Fund Title	Account Number	Account Title	Reduction 2002-03
	1310	Medical Assist. Payments	536119	Optical	\$ 3,873,438
REQUIREMENTS					\$ 3,873,438
RECEIPTS					\$ 2,631,701
APPROPRIATIONS					\$ 1,241,737
NO. OF POSITIONS					

Other Considerations:

- Are statutory changes or special provisions required to implement? Yes No If yes, provide additional information
- Does this option require additional resources/reduced resources to another state agency? Yes No If yes, name the agency and the funds required/reduced.
- Does this option related to a capital improvement project? Yes No If yes, what is the title of the capital improvement project and the projected completion date?

**SFY 2002-03 BUDGET REDUCTIONS - DHHS DIVISION OPTIONS
DETAIL WORKSHEETS**

Name of Division/Institution: Division of Medical Assistance

Title of Option: Elimination of Podiatry Coverage optional services
Option 11 of 23 for SFY 02-03

Description of Option:

Eliminate coverage of podiatry services for adult Medicaid recipients. Currently, North Carolina Medicaid covers trimming of nails and routine foot care only when there is a medical condition. Surgical treatments to the foot and ankle are covered also. Trimming of nails and routine foot care is not covered by Medicaid in the absence of a medical condition. In an average month, 5,287 adult recipients received services from 259 enrolled podiatrists during SFY01. Visits are included in the 24 – limit to medical providers.

Program Impact if Option is Approved:

Elimination of the podiatric provider specialty is likely to reduce expenditures. Most surgeries will be performed still, but by enrolled physicians. Nursing facilities may see a shift in demand to perform podiatric tasks for some patients.

Budgetary Information:

Fund Number	Fund Title	Account Number	Account Title	Reduction 2002-03
1310	Medical Assist. Payments	536120	Podiatry	\$ 1,683,084
REQUIREMENTS				\$ 1,683,084
RECEIPTS				\$ 1,143,525
APPROPRIATIONS				\$ 539,559
NO. OF POSITIONS				

Other Considerations:

- Are statutory changes or special provisions required to implement? Yes ___ No If yes, provide additional information
- Does this option require additional resources/reduced resources to another state agency? ___ Yes No If yes, name the agency and the funds required/reduced.
- Does this option related to a capital improvement project? ___ Yes No If yes, what is the title of the capital improvement project and the projected completion date?

**SFY 2002-03 BUDGET REDUCTIONS - DHHS DIVISION OPTIONS
DETAIL WORKSHEETS**

Name of Division/Institution: Division of Medical Assistance

Title of Option: Elimination of Adult Dental Coverage optional services (more extensive)
Option 12 of 23 for SFY 02-03

Description of Option:

This is the more extensive of two alternatives for this option. Under this alternative, approximately one-half of adult dental services, including all denture services, would be eliminated. As a result, remaining coverage would include basic preventative and restorative procedures as well as most emergency dental needs of the adult population.

Program Impact if Option is Approved:

As a result of this more extensive alternative, it is likely that expenditures would be reduced by approximately 50%. Some savings would be offset by emergency services for people who develop pain and infections. Only pain medications and antibiotics are distributed during emergency visits and no definitive treatment is rendered. Since root canal therapy would be eliminated, more extractions are likely. Potential confusion as to which dental procedures are covered and which are not might result in an increased administrative burden and some providers might cease participation. Access to dental care might become more difficult.

In an average month, approximately 19,500 recipients received dental care during SFY01.

Budgetary Information:

Fund Number	Fund Title	Account Number	Account Title	Reduction 2002-03
1310	Medical Assist. Payments	536116	Dental	\$ 15,976,736
REQUIREMENTS				\$ 15,976,736
RECEIPTS				\$ 10,854,954
APPROPRIATIONS				\$ 5,121,782
NO. OF POSITIONS				

Other Considerations:

- Are statutory changes or special provisions required to implement? Yes ___ No If yes, provide additional information
- Does this option require additional resources/reduced resources to another state agency? ___ Yes No If yes, name the agency and the funds required/reduced.
- Does this option related to a capital improvement project? ___ Yes No If yes, what is the title of the capital improvement project and the projected completion date?

**SFY 2002-03 BUDGET REDUCTIONS - DHHS DIVISION OPTIONS
DETAIL WORKSHEETS**

Name of Division/Institution: Division of Medical Assistance

Title of Option: Elimination of Adult Dental Coverage optional services (less extensive)
Option 12 of 23 for SFY 02-03

Description of Option:

This is the less extensive of two alternatives for this option. Under this alternative, adult denture services would be eliminated.

Program Impact if Option is Approved:

As a result of this less extensive alternative, it is likely that expenditures would be reduced by approximately 25%. Concerns would be raised because denture services are considered to be basic rehabilitative services for adults,

In an average month, approximately 19,500 recipients received dental care during SFY01.

Budgetary Information:

Fund Number	Fund Title	Account Number	Account Title	Reduction 2002-03
1310	Medical Assist. Payments	536116	Dental	\$ 7,988,508
REQUIREMENTS				\$ 7,988,508
RECEIPTS				\$ 5,427,572
APPROPRIATIONS				\$ 2,560,936
NO. OF POSITIONS				

Other Considerations:

- Are statutory changes or special provisions required to implement? Yes ___ No If yes, provide additional information
- Does this option require additional resources/reduced resources to another state agency? ___ Yes No If yes, name the agency and the funds required/reduced.
- Does this option related to a capital improvement project? ___ Yes No If yes, what is the title of the capital improvement project and the projected completion date?

**SFY 2002-03 BUDGET REDUCTIONS - DHHS DIVISION OPTIONS
DETAIL WORKSHEETS**

Name of Division/Institution: Division of Medical Assistance

Title of Option: Modify optional eligibility coverage for low-income Work First families
Option 13 of 23 for SFY 02-03

Description of Option:

Federal law requires states to provide up to 12 months of Medicaid coverage when low-income families lose Work First coverage due to earnings. The North Carolina Medicaid program has opted to provide up to 24 months of coverage by excluding earnings for an additional 12 months. This option would eliminate the additional 12 months of coverage.

Program Impact if Option is Approved:

If the additional 12 months coverage is eliminated, families will receive still the federal Transitional Medicaid benefits. This modification ultimately could effect 51,000 individuals. Eligibles would be reduced by 1,528 in the first year, assuming an implementation date of 10/01/02.

Budgetary Information:

Fund Number	Fund Title	Account Number	Account Title	Reduction 2002-03
1310	Medical Assist. Payments			\$ 1,339,982
REQUIREMENTS				\$ 1,339,982
RECEIPTS				\$ 914,421
APPROPRIATIONS				\$ 425,561
NO. OF POSITIONS				

Other Considerations:

- Are statutory changes or special provisions required to implement? Yes ___ No If yes, provide additional information
- Does this option require additional resources/reduced resources to another state agency? ___ Yes No If yes, name the agency and the funds required/reduced.
- Does this option related to a capital improvement project? ___ Yes No If yes, what is the title of the capital improvement project and the projected completion date?

**SFY 2002-03 BUDGET REDUCTIONS - DHHS DIVISION OPTIONS
DETAIL WORKSHEETS**

Name of Division/Institution: Division of Medical Assistance

Title of Option: Modify optional Pregnant Woman eligibility coverage for Minors (count parental income)
Option 14 of 23 for SFY 02-03

Description of Option:

Under current policy, the North Carolina Medicaid program does not consider parental income when determining eligibility for pregnant woman coverage for minors. As a result, there is no upper limit on family income associated with this benefit.

Program Impact if Option is Approved:

Under this option, parental income would be recognized and pregnant minors whose parents' income is greater than 185% of the federal poverty level would not qualify for Medicaid. Assuming an implementation date of 10/01/02, approximately 650 minors would lose eligibility in the first year.

Budgetary Information:

Fund Number	Fund Title	Account Number	Account Title	Reduction 2002-03
1310	Medical Assist. Payments			\$ 793,746
REQUIREMENTS				\$ 793,746
RECEIPTS				\$ 548,953
APPROPRIATIONS				\$ 244,793
NO. OF POSITIONS				

Other Considerations:

- Are statutory changes or special provisions required to implement? Yes ___ No If yes, provide additional information
- Does this option require additional resources/reduced resources to another state agency? ___ Yes No If yes, name the agency and the funds required/reduced.
- Does this option related to a capital improvement project? ___ Yes No If yes, what is the title of the capital improvement project and the projected completion date?

**SFY 2002-03 BUDGET REDUCTIONS - DHHS DIVISION OPTIONS
DETAIL WORKSHEETS**

Name of Division/Institution: Division of Medical Assistance

Title of Option: Modify optional eligibility coverage regarding Assets of the Aged & Disabled
Option 15 of 23 for SFY 02-03

Description of Option:

Currently, real property held under a life estate or as tenancy-in-common is not considered as a countable asset when determining Medicaid coverage. Under this option, a value would be established for this type of asset, and it would be considered in the eligibility determination. In addition, equity values in excess of \$6,000 on income producing property is recognized as an asset by SSI in determining eligibility for benefits. At present, North Carolina disregards all equity value in income producing property. The state could adopt the SSI method for aged, blind and disabled applicants.

Program Impact if Option is Approved:

Approximately 3,000 individuals would be determined ineligible for benefits, assuming a 10/01/02 implementation date. This change is likely to impact nursing facility residents disproportionately.

Budgetary Information:

Fund Number	Fund Title	Account Number	Account Title	Reduction 2002-03
1310	Medical Assist. Payments			\$ 9,446,334
REQUIREMENTS				\$ 9,446,334
RECEIPTS				\$ 6,418,053
APPROPRIATIONS				\$ 3,028,281
NO. OF POSITIONS				

Other Considerations:

- Are statutory changes or special provisions required to implement? Yes ___ No If yes, provide additional information
- Does this option require additional resources/reduced resources to another state agency? ___ Yes No If yes, name the agency and the funds required/reduced.
- Does this option related to a capital improvement project? ___ Yes No If yes, what is the title of the capital improvement project and the projected completion date?

**SFY 2002-03 BUDGET REDUCTIONS - DHHS DIVISION OPTIONS
DETAIL WORKSHEETS**

Name of Division/Institution: Division of Medical Assistance

Title of Option: Modify optional eligibility coverage for Transfer of Assets Penalty for Personal Care Services
Option 16 of 23 for SFY 02-03

Description of Option:

Federal law permits states to impose transfer of asset penalties for applicants or recipients who reside at home and receive personal care services. During a penalty period, the individual is ineligible to receive Personal Care Services (PCS) at home but otherwise remains eligible for Medicaid benefits.

Program Impact if Option is Approved:

The number of eligible individuals would not be reduced by this policy change. This requirement would result in delays in PCS coverage start dates as applicants use their own resources or wait out the penalty period prior to PCS coverage.

Budgetary Information:

	Fund Number	Fund Title	Account Number	Account Title	Reduction 2002-03
	1310	Medical Assist. Payments			\$ 1,321,336
REQUIREMENTS					\$ 1,321,336
RECEIPTS					\$ 897,377
APPROPRIATIONS					\$ 423,959
NO. OF POSITIONS					

Other Considerations:

- Are statutory changes or special provisions required to implement? Yes ___ No If yes, provide additional information
- Does this option require additional resources/reduced resources to another state agency? ___ Yes No If yes, name the agency and the funds required/reduced.
- Does this option related to a capital improvement project? ___ Yes No If yes, what is the title of the capital improvement project and the projected completion date?

**SFY 2002-03 BUDGET REDUCTIONS - DHHS DIVISION OPTIONS
DETAIL WORKSHEETS**

Name of Division/Institution: Division of Medical Assistance

Title of Option: Maintain Community Alternatives Programs (CAP) Aids Programs at SFY03 Certified Budget expenditure levels
Option 17 of 23 for SFY 02-03

Description of Option:

CAP/AIDS is a statewide home and community based services (HCBS) waiver program that provides a cost-effective alternative to institutional care for persons with AIDS as well as children who are HIV-positive and meet other criteria. The person must live in a private residence. CAP/AIDS is a cooperative effort with the Division of Public Health. CAP/AIDS offers a number of services designed to support care in the home. The overall cost of the home care services must be within a cost limit that is related to the Medicaid cost for nursing facility care. The program's services and cost limits are modeled after the Community Alternatives Program for Disabled Adults. CAP/AIDS expenditures for SFY 03 are currently projected to exceed the SFY 03 Certified Budget by 62%. Medicaid paid for CAP/AIDS services for 43 individuals in calendar year 2001. CAP/AIDS In-Home Aide Services account for 82% of the program expenditures. Attempting to achieve a 62% reduction would effectively eliminate the program. A reduction of approximately 15% can be achieved by applying the same limitations identified for CAP/DA. These include:

1. Impose a freeze on CAP/AIDS participation.
2. Reduce the monthly average cost limit on services to 70% of the average nursing facility rate. (The limit is currently 90% of the average NF rate.)
3. Limit In-Home Aide Services to no more than 115 hours per month.

The CAP program would be maintained at SFY03 Certified Budget levels.

Program Impact if Option is Approved:

Imposition of the proposal will have two primary effects:

1. The freeze will limit the community care option to those individuals facing nursing home placement with the potential to increase Medicaid costs for institutional care. It also negatively impacts the ability of the local case management agencies to maintain the cash flow to support their operations. This threatens the long-term viability of the program.
2. The service limits will require some individuals to leave the program or adversely affect their health. Approximately 41% of the clients will experience a reduction in In-Home Aide Services. This may lead to increased Medicaid expenditures for both acute and long-term care services. In addition, there will be an increased pressure on the other limited resources available to persons with AIDS.

Budgetary Information:

	Fund Number	Fund Title	Account Number	Account Title	Reduction 2002-03
	1310	Medical Assist. Payments	536127	CAP - Aids	\$ 328,504
REQUIREMENTS					\$ 328,504
RECEIPTS					\$ 223,193
APPROPRIATIONS					\$ 105,311
NO. OF POSITIONS					

Other Considerations:

- Are statutory changes or special provisions required to implement? ___ Yes X No If yes, provide additional information
- Does this option require additional resources/reduced resources to another state agency? ___ Yes X No If yes, name the agency and the funds required/reduced.
- Does this option related to a capital improvement project? ___ Yes X No If yes, what is the title of the capital improvement project and the projected completion date?

Estimates Subject to Change Based on Future Projections

**SFY 2002-03 BUDGET REDUCTIONS - DHHS DIVISION OPTIONS
DETAIL WORKSHEETS**

Name of Division/Institution: Division of Medical Assistance

Title of Option: Maintain Community Alternatives Programs (CAP) Disabled Programs at SFY03 Certified Budget expenditure levels
Option 18 of 23 for SFY 02-03

Description of Option:

CAP/DA is a home and community based services (HCBS) waiver program that provides a cost-effective alternative to nursing facility care for persons who are 18 years of age or older and live in a private residence. The program is a county option and operated locally by a lead agency designated by the county commissioners. CAP/DA offers a number of services designed to support care in the home. The overall cost of the home care services must be within a cost limit that is related to the Medicaid cost for nursing facility care. CAP/DA expenditures for SFY 03 are currently projected to exceed the SFY 03 certified budget by 21%.

The following options have been identified to keep expenditures within the Certified Budget:

1. Continue the freeze on CAP/DA participation.
2. Reduce the monthly average cost limit on services to 70% of the average nursing facility rate. (The limit is currently 90% of the average NF rate.)
3. Limit In-Home Aide Services to no more than 115 hours per month. In-Home Aide Services account for 90% of CAP/DA expenditures.

Currently, clients average 137 hours of In-Home Aide Services per month. There were 298 agencies that provided these services to 12,404 clients during the first eight months of SFY 02.

Program Impact if Option is Approved:

Imposition of the proposal will have two primary effects:

1. The continuation of the freeze will limit the community care option to those individuals facing nursing home placement with the potential to increase Medicaid costs for institutional care. It also negatively impacts the ability of the local case management agencies to maintain the cash flow to support their operations. This threatens the long term viability of the program.
2. The service limits will require some individuals to leave the program or adversely affect their health. Approximately 73% of the clients will experience a reduction in In-Home Aide Services. This may lead to increased Medicaid expenditures for both acute and long term care services. In addition, there will be an increased demand for non-Medicaid services such as adult day care, meals on wheels and aide services funded with block grant funds.

Budgetary Information:

	Fund Number	Fund Title	Account Number	Account Title	Reduction 2002-03
	1310	Medical Assist. Payments	536159	CAP - Disabled	\$ 61,690,546
REQUIREMENTS					\$ 61,690,546
RECEIPTS					\$ 41,913,945
APPROPRIATIONS					\$ 19,776,601
NO. OF POSITIONS					

Other Considerations:

- Are statutory changes or special provisions required to implement? ___ Yes X No If yes, provide additional information
- Does this option require additional resources/reduced resources to another state agency? ___ Yes X No If yes, name the agency and the funds required/reduced.
- Does this option related to a capital improvement project? ___ Yes X No If yes, what is the title of the capital improvement project and the projected completion date?

Estimates Subject to Change Based on Future Projections

**SFY 2002-03 BUDGET REDUCTIONS - DHHS DIVISION OPTIONS
DETAIL WORKSHEETS**

Name of Division/Institution: Division of Medical Assistance

Title of Option: Maintain Community Alternatives Programs (CAP) MR Programs at SFY03 Certified Budget expenditure levels

Option 19 of 23 for SFY 02-03

Description of Option:

DMH/DD/SAS is in the process of developing a revised set of waivers which are intended to strengthen utilization management and revise service definitions to assure payment is being authorized for the least restrictive most cost-efficient service. In addition more training and staff time will be devoted to quality assurance and provider monitoring. It is recognized that some time will be needed to put all of these processes in place. DMH/DD/SAS will hold state DD funds in reserve to cover the difference between the state certified budget amount for Medicaid and any actual growth experienced beyond that amount. In addition the slots will remain frozen until growth moderates.

Program Impact if Option is Approved:

The continuation of the freeze will limit the community care option to those individuals facing ICF/MR placement with the potential to increase Medicaid costs for institutional care. It also negatively impacts the ability of the local case management agencies to maintain the cash flow to support their operations. This threatens the long-term viability of the program.

Budgetary Information:

Fund Number	Fund Title	Account Number	Account Title	Reduction 2002-03
1310	Medical Assist. Payments	536160	CAP - MR	\$ 74,541,108
REQUIREMENTS				\$ 74,541,108
RECEIPTS				\$ 50,644,906
APPROPRIATIONS				\$ 23,896,202
NO. OF POSITIONS				

Other Considerations:

- Are statutory changes or special provisions required to implement? ___ Yes X No If yes, provide additional information
- Does this option require additional resources/reduced resources to another state agency? ___ Yes X No If yes, name the agency and the funds required/reduced.

**SFY 2002-03 BUDGET REDUCTIONS - DHHS DIVISION OPTIONS
DETAIL WORKSHEETS**

Name of Division/Institution: Division of Medical Assistance

Title of Option: Maintain Community Alternatives Programs (CAP) Children Programs at SFY03 Certified Budget expenditure levels
Option 20 of 23 for SFY 02-03

Description of Option:

CAP – Children is a home and community based services (HCBS) waiver program that provides a cost-effective alternative to nursing facility care for persons who are less than 18 years of age and live in a private residence. The program is a county option and operated locally by a lead agency designated by the county commissioners. CAP - Children offers a number of services designed to support care in the home. The overall cost of the home care services must be within a cost limit that is related to the Medicaid cost for nursing facility care.

CAP – Children expenditures for SFY 03 are currently projected to exceed the SFY 03 certified budget by 53%. To keep expenditures within the Certified Budget, an option is to continue the freeze on CAP – Children participation.

Program Impact if Option is Approved:

The continuation of the freeze will limit the community care option to those individuals facing institutional placement with the potential to increase Medicaid costs for institutional care. It also negatively impacts the ability of the local case management agencies to maintain the cash flow to support their operations. This threatens the long-term viability of the program.

Budgetary Information:

	Fund Number	Fund Title	Account Number	Account Title	Reduction 2002-03
	1310	Medical Assist. Payments	536161	CAP - Children	\$ 8,200,376
REQUIREMENTS					\$ 8,200,376
RECEIPTS					\$ 5,571,520
APPROPRIATIONS					\$ 2,628,856
NO. OF POSITIONS					

Other Considerations:

- Are statutory changes or special provisions required to implement? ___ Yes X No If yes, provide additional information
- Does this option require additional resources/reduced resources to another state agency? ___ Yes X No If yes, name the agency and the funds required/reduced.

**SFY 2002-03 BUDGET REDUCTIONS - DHHS DIVISION OPTIONS
DETAIL WORKSHEETS**

Name of Division/Institution: Division of Medical Assistance

Title of Option: Reduce the allowable cost of drugs to Average Wholesale Price less 15% from the current allowable limit of Average Wholesale Price less 10%
Option 21 of 23 for SFY 02-03

Description of Option:

Surveys conducted by the Department of Health and Human Services consistently demonstrate that the cost of drugs to the dispensing pharmacy is considerably lower than the current AWP less 10%. The average discount appears to be 20%, this approach would limit the discount to AWP-15% because all pharmacy providers may not be able to obtain the higher discount required.

Program Impact if Option is Approved:

The number of pharmacies participating in the Medicaid program may decline.

Budgetary Information:

	Fund Number	Fund Title	Account Number	Account Title	Reduction 2002-03
	1310	Medical Assist. Payments	536130	Prescription Drugs	\$ 51,103,586
REQUIREMENTS					\$ 51,103,586
RECEIPTS					\$ 34,720,926
APPROPRIATIONS					\$ 16,382,660
NO. OF POSITIONS					

Other Considerations:

- Are statutory changes or special provisions required to implement? ___ Yes X No If yes, provide additional information
- Does this option require additional resources/reduced resources to another state agency? ___ Yes X No If yes, name the agency and the funds required/reduced.
- Does this option related to a capital improvement project? ___ Yes X No If yes, what is the title of the capital improvement

**SFY 2002-03 BUDGET REDUCTIONS - DHHS DIVISION OPTIONS
DETAIL WORKSHEETS**

Name of Division/Institution: Division of Medical Assistance

Title of Option: Limit Private Duty Nursing (PDN) (more extensive)
Option 23 of 23 for SFY 02-03

Description of Option:

PDN is medically necessary continuous, substantial and complex nursing services performed by a licensed nurse (RN or LPN) needed by a patient in the patient's home. It is for patients of all ages who live in private residences. Medicaid pays for up to 24 hours per day of care of unlimited duration based on documented medical necessity. The service is prior approved by DMA. During the first six months of SFY 2002, Medicaid paid for services for 101 individuals 21 years of age and older at a cost of \$8 million. There were 53 providers paid for the service.

This option, the more extensive of two alternatives, limits coverage of (PDN) for individuals 21 years of age and older to those persons who qualify for nursing facility ventilator level care. Services would be limited to no more than 10 hours per day. The 10 hour daily limit keeps the cost of PDN equivalent to the Medicaid cost of nursing facility ventilator care. It is similar to the basis for the Community Alternatives Programs in that Medicaid will not pay more for home care than institutional care.

Program Impact if Option is Approved:

Imposition of the limit is likely to decrease expenditures for PDN though some of the decrease may be offset by increased expenditures for other Medicaid services, primarily home care and institutional care. Approximately 50% of PDN patients will lose the coverage and the balance will have coverage reduced. This will drive some individuals into institutional care and such care may not be readily available. Many patients will be difficult, if not impossible, to place because of their high level and unique care needs. The majority of the patients are under 55 years of age. Those patients who can be placed will have to adapt to an institutional environment often more suited to the elderly.

Budgetary Information:

Fund Number	Fund Title	Account Number	Account Title	Reduction 2002-03
1310	Medical Assist. Payments	536109	LTC - SNFSO & NSO	\$ (1,096,754)
1310	Medical Assist. Payments	536129	Home Health	\$ 3,036,729
REQUIREMENTS				\$ 1,939,975
RECEIPTS				\$ 1,318,063
APPROPRIATIONS				\$ 621,912
NO. OF POSITIONS				

Other Considerations:

- Are statutory changes or special provisions required to implement? ___ Yes X No If yes, provide additional information
- Does this option require additional resources/reduced resources to another state agency? ___ Yes X No If yes, name the agency and the funds required/reduced.

**SFY 2002-03 BUDGET REDUCTIONS - DHHS DIVISION OPTIONS
DETAIL WORKSHEETS**

Name of Division/Institution: Division of Medical Assistance

Title of Option: Limit Private Duty Nursing (PDN) (less extensive)
Option 23 of 23 for SFY 02-03

Description of Option:

PDN is medically necessary continuous, substantial and complex nursing services performed by a licensed nurse (RN or LPN) needed by a patient in the patient's home. It is for patients of all ages who live in private residences. Medicaid pays for up to 24 hours per day of care of unlimited duration based on documented medical necessity. The service is prior approved by DMA. During the first six months of SFY 2002, Medicaid paid for services for 101 individuals 21 years of age and older at a cost of \$8 million dollars. There were 53 providers paid for the service.

This option limits the number of hours of Private Duty Nursing (PDN) for individuals 21 years of age and older to no more than 16 hours per day with the following exceptions:

1. Allow up to 24 hours per day for 21 days post-hospital to allow training of caregivers;
2. Allow up to 24 hours per day for no more than 14 consecutive days if the patient's caregiver experiences a personal medical emergency that renders the caregiver temporarily unable to provide care. The caregiver's physician would be required to document the medical emergency.

The use of the above exceptions would be limited to a total of 45 days per State fiscal year.

Program Impact if Option is Approved:

Imposition of the limit is likely to decrease expenditures for PDN though some of the decrease may be offset by increased expenditures for other Medicaid services, primarily home care and institutional care. At least 40% of adult PDN patients will have services reduced by the new limits. It will drive some individuals into institutional care and such care may not be readily available. Many patients will be difficult, if not impossible, to place because of their high level and unique care needs. The majority of the patients are under 55 years of age. Those patients who can be placed will have to adapt to an institutional environment often more suited to the elderly.

Budgetary Information:

	Fund Number	Fund Title	Account Number	Account Title	Reduction 2002-03
	1310	Medical Assist. Payments	536129	Home Health	\$ 911,018
REQUIREMENTS					\$ 911,018
RECEIPTS					\$ 618,966
APPROPRIATIONS					\$ 292,052