



NC DEPARTMENT OF
**HEALTH AND
HUMAN SERVICES**
Division of Social Services

ROY COOPER • Governor
KODY H. KINSLEY • Secretary
SUSAN OSBORNE • Assistant Secretary for County Operations
for Human Services

July 7, 2022

DEAR COUNTY DIRECTORS OF SOCIAL SERVICES

ATTENTION: DIRECTORS, FISCAL OFFICERS

SUBJECT: UPDATED GUIDANCE ON ENHANCED MEDICAID CLAIMING

REQUIRED ACTION: Information Only Time Sensitive **Immediate**

PURPOSE: TO PROVIDE GUIDANCE AND DETAILS ABOUT UPCOMING CHANGES TO ENHANCED MEDICAID CLAIMING 75/25 FOR ELIGIBILITY AND ENROLLMENT.

Recent guidance from CMS regarding enhanced Medicaid 75/25 funding has resulted in a need for the state to make changes to the DSS 1571 process including changes to NC CoReLS. These changes mandated by CMS will be in effect for the September 2022, DSS 1571 submitted and reimbursed in October 2022, and will affect the claiming of personnel and non-personnel expenditures.

We are committed to supporting counties through these changes and will provide training and support to help counties successfully implement these changes. We will schedule virtual meetings and training during the month of July to assist with questions related to these new processes. Additionally, DHHS plans to host a workshop at the Social Service Institute about these changes.

It is imperative that all counties comply with these changes. We will provide CMS with our detailed DSS 1571 data beginning with October 2022 reimbursement. If North Carolina does not demonstrate compliance with these changes, CMS will discontinue enhanced Medicaid funding for the entire state.

More detailed guidance is being sent to the fiscal officer listserv today. This detailed guidance includes a summary of changes to NC CoReLS and DSS 1571 process, a revised payroll import spreadsheet, and a spreadsheet that county fiscal officers may use to estimate the financial impact of these changes. **Please verify that your LBL has a current list of your agency's fiscal staff, including their email address.**

High-level summary of changes:

- Implementation of standardized job classifications
 - o Beginning with the September DSS 1571 (submitted in October 2022), counties will need to have all positions claimed on the PART I mapped to the best equivalent [Local](#)

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[Government Class Spec from the Office of State Human Resources \(OSHR\)](#). A drop-down for these classifications will be added to the Payroll Import Spreadsheet.

- New NC CoReLS fields/codes indicating whether an employee or a non-personnel expenditure is E&E allowable, in accordance with CMS guidance within [State Medicaid Director Letter 16-004](#) (SMD 16-004).
 - o In the communication to County Fiscal Officers, DHHS will be providing updated interpretative guidance of SMD 16-004 as it relates to county operations. This guidance is based on DHHS' legal review and current understanding of the SMD.
 - o Cost allocated personnel and non-personnel expenditures that are coded as non-E&E allowable will be reimbursed at the 50/50 Medicaid rate.

Background:

Each year, NC DHHS is required to include the County DSS projected enhanced Medicaid revenue in its annual Advanced Planning Document update (APDu) to our federal partners. When NC DHHS first implemented enhanced Medicaid 75/25 revenue in 2014, it did so in accordance with its approved Cost Allocation Plan (CAP) and has always believed that it was in substantial conformity with SMD 16-004 guidance. During SFY 2022, CMS requested additional DSS-1571 data in order to justify the enhanced Medicaid revenue that NC DHHS was requesting in its APDu. When NC DHHS was unable to provide the level of data granularity being requested, CMS provided conditional approval for its APDu. To address the condition, NC DHHS began to have ongoing discussions with CMS, NC DHHS' financial systems, and our DSS-1571 processes.

When the County Budget Estimates were originally published, the plan was to work with a sub-set of counties to collect a sample of evidence demonstrating how the DSS-1571 process complies with our current federally approved CAP. At that time, DHHS did not anticipate SFY 22-23 fiscal impacts. CMS has requested additional information in previous years' APDu cycles regarding NC's enhanced Medicaid claiming, and the additional information provided was always accepted with no additional conditions or follow-up requirements.

Through this year's process, CMS provided new information and requirements relating to how SMD 16-004 should be interpreted. This new information made both system and process changes necessary in order to provide the data CMS was requesting. When those system changes were properly scoped out and analyzed during the Spring of 2022, it became apparent there would be fiscal impacts from the changes, and those impacts would vary by county. NC DHHS does not currently collect detailed enough DSS-1571 data to calculate county-specific impact estimates but has developed a tool to assist counties with estimating the impact. That tool, along with instructions, is being provided to County DSS Fiscal Officers in the other communication referenced earlier in this letter.

Upcoming Training and Support:

County fiscal staff need to be on the lookout for invitations to the virtual meetings and training sessions. We will make sure to provide multiple dates and times so that everyone will be able to attend a session.

- Virtual Meetings: multiple sessions July to September
- First training sessions: mid-July for Part I, August for Part II
- Workshop at the Social Service Institute: Thursday August 4, 2022
- Other trainings as needed

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If you have any questions, please contact your local business liaison.

Sincerely,

A handwritten signature in cursive script that reads "Susan G. Osborne".

Susan G. Osborne,
Assistant Secretary for Human Services
North Carolina Division of Social Services

Cc: Rob Kindsvatter, Chief Financial Officer
Richard Stegenga, Deputy Director, Business Operations

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