



**North Carolina Department of Health and Human Services**

2001 Mail Service Center • Raleigh, North Carolina 27699-2001

Tel 919-733-4534 • Fax 919-715-4645

**November 15, 2011**

Beverly Eaves Perdue, Governor

Lanier M. Cansler, Secretary

The Honorable Thom Tillis  
Speaker of the House  
North Carolina House of Representatives  
2304 Legislative Building  
Raleigh, NC 27601

The Honorable Phil Berger  
President Pro Tempore  
North Carolina Senate  
2007 Legislative Building  
Raleigh, NC 27601

Dear Speaker Tillis and Senator Berger:

I thank you for your willingness to work with me and the Department of Health and Human Services in our efforts to continue to manage our budget while avoiding potentially catastrophic changes in North Carolina's Medicaid program.

As you know, I testified before the Health and Human Services Legislative Oversight Committee last week, explaining item by item our progress in meeting budget goals and providing information about the challenges we face in fully complying with the budget passed by the Legislature in June. As I explained, although we have been working diligently to meet budget targets, and continue to examine and make additional programmatic changes to narrow the budget deficit, the only possibility we see of totally closing the cash shortfall gap for Medicaid in the current year would require an almost total elimination of optional services or an across-the-board provider rate reduction of as much as eighteen percent. These major changes would be required because of the lengthy timeframe necessary for notice and federal approval of the changes leaving little time in the fiscal year for actual savings to occur. Either of these changes would devastate the Medicaid program and, in reality, would likely have little chance of receiving federal approval.

I was very appreciative of the committee's co-chair, Representative Nelson Dollar, providing guidance to me during the meeting, indicating that the Legislature was not in favor of implementing these potentially devastating cuts in the Medicaid program and that the Legislature would work with us in dealing with the cash shortfall. Although Legislative Fiscal Research has sent word to me that Representative Dollar is just one



Speaker Thom Tillis  
Senator Phil Berger  
November 15, 2011  
Page Two

member and DHHS is required to comply with the budget as passed, I would expect that Representative Dollar's remarks reflected the consensus of Legislative leadership. Dealing with the current year cash shortfall will require some consideration as a part of the cash problem is one-time in nature, but a part is also recurring in nature. Again, please be assured that DHHS is continuing to examine options for reducing Medicaid's cash needs, but it is not a simple matter and every potential change has numerous implications and possibilities for simply shifting the cost from one programmatic area to another which ultimately doesn't solve the budget problem.

It would be helpful if you could provide some guidance as to what steps the Legislature might take to assist us in dealing with the Medicaid cash shortfall. I would suggest you consider a meeting in the near future with representatives from the Office of State Budget and Management to discuss options. I certainly will provide any additional explanation and assistance as you deem necessary.

Again, I thank you for your willingness to work with us as we continue our efforts to manage the Medicaid program in a manner that can be sustained over the long-term and meet the needs of North Carolina's most vulnerable populations.

Sincerely,



Lanier M. Cansler

Cc: Representative Nelson Dollar  
Representative Justin Burr  
Senator Louis Pate  
Senator Stan Bingham  
Senator Harris Blake