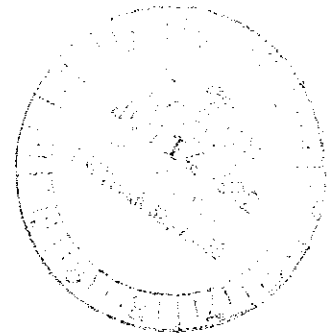


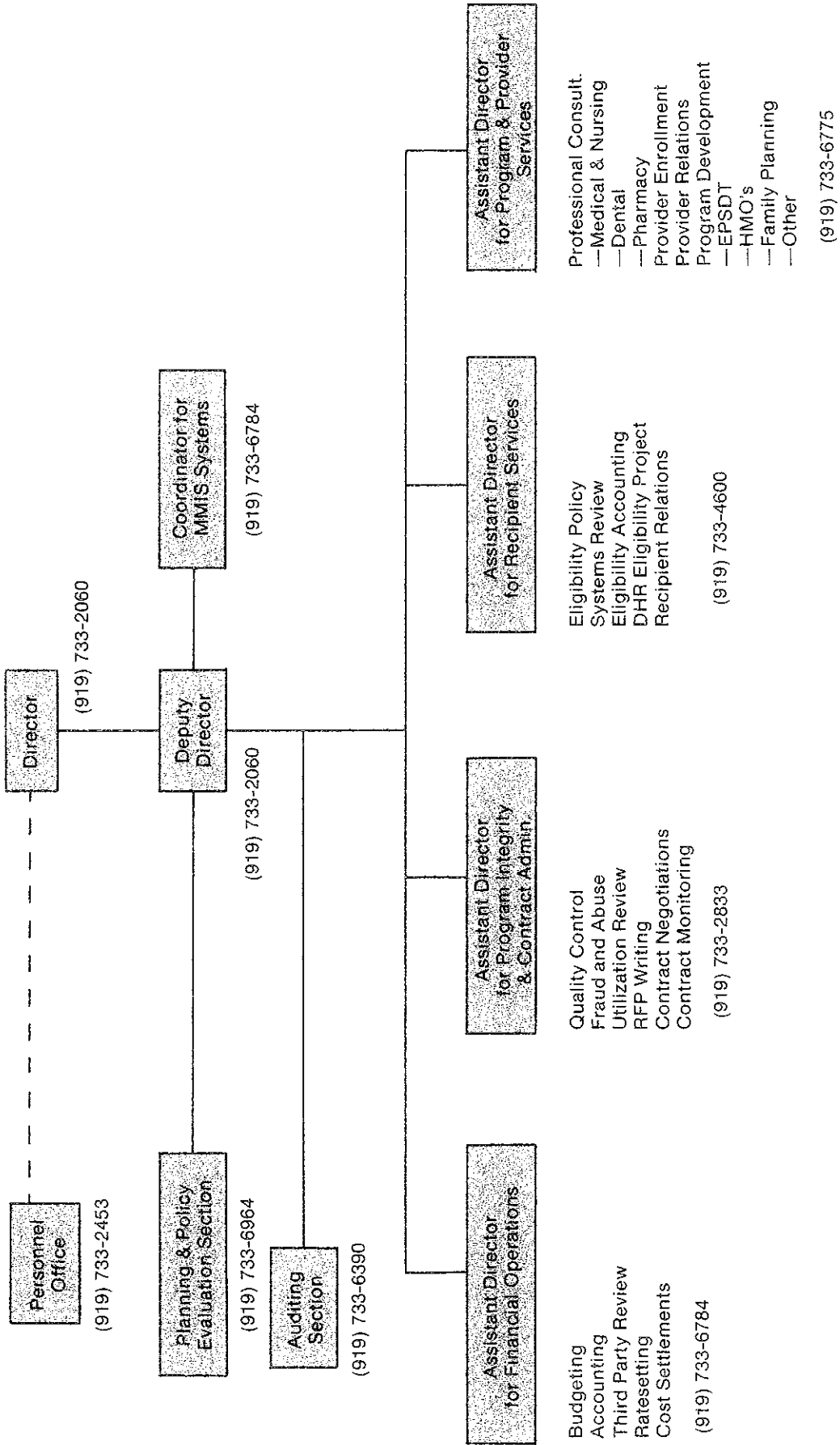
# MEDICAID IN NORTH CAROLINA



**ANNUAL  
REPORT  
1980-1981**

N.C. Department of Human Resources  
Division of Medical Assistance

**DEPARTMENT OF HUMAN RESOURCES  
DIVISION OF MEDICAL ASSISTANCE  
OFFICE OF THE DIRECTOR**





JAMES B. HUNT, JR.  
GOVERNOR

SARAH T. MORROW, M.D., M.P.H.  
SECRETARY  
DEPT. HUMAN RESOURCES

STATE OF NORTH CAROLINA  
DEPARTMENT OF HUMAN RESOURCES  
DIVISION OF MEDICAL ASSISTANCE  
410 N. BOYLAN AVE.  
RALEIGH, NORTH CAROLINA 27603

BARBARA D. MATULA  
DIRECTOR

IN REPLY REFER TO CODE

Dear Citizens:

Fiscal year 1980-81 was a year of substantial growth in Medicaid expenditures. Payments for services, combined with greater utilization, resulted in a 23.8% increase in expenditures over the previous year.

Progress in the Medicaid program included an increase in health screenings of children. Children also benefited when Medicaid included coverage of developmental Evaluation Centers under the clinic program.

The Division of Medical Assistance focused on improved management of the program. During FY 1980-81 considerable headway was made in redesigning the automated eligibility system. Improvements were made which reduced paper work and processing time at the county level and simplified the eligibility manual. The Division achieved a 40% decrease in the number of claims delayed due to eligibility problems.

A major eligibility loophole was closed by the General Assembly when it passed a law prohibiting people from giving away assets solely for the purpose of meeting Medicaid eligibility requirements. A lock-in system was designed to control utilization of services by identified over-users. Implementation is scheduled for FY 1981-82.

The major challenge for the Medicaid Program remains one of controlling expenditure growth while maintaining high quality medical services for the State's needy population.

Sincerely,

A handwritten signature in cursive script that reads "Barbara D. Matula".

Barbara D. Matula  
Director

**TITLE XIX**  
**MEDICAL ASSISTANCE PROGRAM**

**PEOPLE SERVED . . .**

North Carolina Medicaid provided needed medical care to 382,386 of its citizens who had one characteristic in common; they were poor.

North Carolina provides medical services for two classifications of eligible people—the categorically needy and the medically needy. The categorically needy group consists of people who are eligible for income assistance through public programs. Federal regulations require all state Medicaid programs to include the categorically needy classification.

The medically needy classification is included at state option. Medically needy Medicaid eligibles do not receive cash assistance. The recipient may have income below the allowable levels set by the State legislature, or if the income is higher, then he or she must spend the difference between his or her income and the allowable levels on medical care before becoming eligible.

Within each classification are five categories of eligibility:

- 1) AFDC or Aid to Families with Dependent Children — A dependent child is defined as one who has been deprived of one or both parents. Deprivation may be by absence or incapacity. The age limit for a dependent child was 20 until February 1982 when it was changed to 18. Both children and their parents or caretakers in AFDC families may be eligible for Medicaid.
- 2) AA or Aid to the Aged — A person age 65 or over is considered aged.
- 3) AD or Aid to the Disabled — The Social Security definition of disability is used. Persons are between ages birth through 64 years old.
- 4) AB or Aid to the Blind — The Social Security definition of blindness is used. No age criteria is involved.
- 5) RC or Reasonable Classification of Children under 21 — This category includes children in foster care, children in the custody of the county department of social services, and children who have been institutionalized for more than 180 consecutive days.

When need is established, resources are counted as well as income. Resources are real or personal property, like land, cash, non-essential automobiles, etc. As long as a recipient or his spouse or his dependent children reside in his home, the home is not considered an available resource for purposes of determining Medicaid eligibility.

## **SERVICES PROVIDED . . .**

### **MANDATORY**

Hospital Inpatient  
Hospital Outpatient  
Lab and X-Ray  
Skilled Nursing Facilities,  
    over age 21 (SNF)  
Home Health  
Early and Periodic Screening,  
    Diagnosis and Treatment (EPSDT)  
Family Planning  
Physicians  
Hearing Aids for Children  
Rural Health Clinics  
Transportation (ambulance)

### **OPTIONAL**

Prescribed Drugs  
Chiropractors  
Dental  
Intermediate Care Facilities (ICF)  
Intermediate Care Facilities for the  
    Mentally Retarded (ICF-MR)  
Clinics  
Optical Supplies  
Optometrists  
Skilled Nursing Facilities, under age 21 (SNF)  
Podiatrists  
Mental Health Facilities, over age 65  
Psychiatric Facilities, under age 21  
Specialty Hospitals

Until December 1981, service limitations were based only on medical necessity. Effective December 1981, certain services were restricted as follows:

1. Eighteen (18) visits per year are allowed to one or a combination of physicians, clinics, hospital outpatient departments, chiropractors, podiatrists, and optometrists. Exemptions based on medical necessity include:
  - a) prenatal care,
  - b) hospital emergency room care,
  - c) end stage renal disease,
  - d) chemotherapy and radiation therapy for malignancy,
  - e) acute sickle cell disease,
  - f) end stage lung disease,
  - g) unstable diabetes,
  - h) hemophilia,
  - i) terminal stage of any life threatening illness.
2. Eighteen (18) visits per year are allowed to a mental health center.
3. Four (4) prescriptions, including refills, are allowed each month.

Following are Income and Resource tables used in the North Carolina Medicaid program.

**INCOME**

Family Size	Categorically Needy		Medically Needy
	AFDC	AA, AB, AD	
1	\$1,524	\$1,700	\$2,100
2	2,004	2,200	2,700
3	2,500	2,500	3,100
4	2,520	2,800	3,400
5	2,760	3,000	3,700

**RESOURCES**

Family Size	Categorically Needy		Medically Needy
	AFDC	AA, AB, AD	
1	\$1,000	\$1,500	\$1,000
2	1,100	2,250	1,100
3	1,150	2,350	1,150
4	1,200	2,450	1,200
5	1,250	2,550	1,250

**PROVIDERS OF SERVICE . . .**

Medicaid payments are made to the participating health care professionals who provide medical services to eligible people. No payment is ever made to the recipient. Medicaid recipients have the freedom to choose any medical provider. Each recipient is issued a Medicaid identification card which lets the provider know he should bill his charges to the Medicaid Program.

During fiscal year 1981 9,778 providers submitted 7,054,478 claims for payment.

**ENROLLED PROVIDERS  
BY TYPE OF SERVICE  
Fiscal Year 1981**

Type of Service	Number of Providers
Physicians .....	6,333
Radiologists .....	577
Pharmacies .....	1,615
Dentists .....	2,350
Optometrists .....	547
Chiropractors .....	379
Podiatrists .....	107
Ambulance .....	166
Home Health Agencies .....	91
ICF — General .....	167
ICF — MRC .....	10
Hospitals .....	150
Mental Health Clinics .....	71
Optical Supplies .....	156
SNF .....	150
Other .....	4,313
<b>Total</b> .....	<b>17,182</b>

## **EARLY AND PERIODIC SCREENING, DIAGNOSIS AND TREATMENT (EPSDT) . . .**

North Carolina is a leading state in the percentage of eligible children screened through the EPSDT program. EPSDT is a preventive health care program for Medicaid eligible children. It is designed to identify and treat chronic conditions which can lead to disabling diseases later in life.

EPSDT screenings are provided by local health departments and participating private providers. Families are free to choose which provider will screen their children.

During fiscal year 1981 74,159 children were screened. This number is 43.0% of all eligible children.

## **ADMINISTRATION, CLAIMS PROCESSING AND UTILIZATION REVIEW . . .**

Administration of the Medicaid Program is the responsibility of the Division of Medical Assistance (DMA) in the Department of Human Resources (DHR). DMA has 122 staff positions and two major contracts. The Claims Processing contract is held by EDS Federal Corporation. The second major contract, also held by EDS Federal Corporation, is for utilization review.

In North Carolina 7,054,478 Medicaid claims were processed in 1981. Each claim was subjected to a series of edits and audits to determine if the recipient was eligible, if the provider was certified, if the procedure was covered, if the service was appropriate for the age and sex of the recipient, if the claim was a duplicate of one previously submitted, and a host of other relevant questions designed to guarantee that Medicaid funds are properly spent.

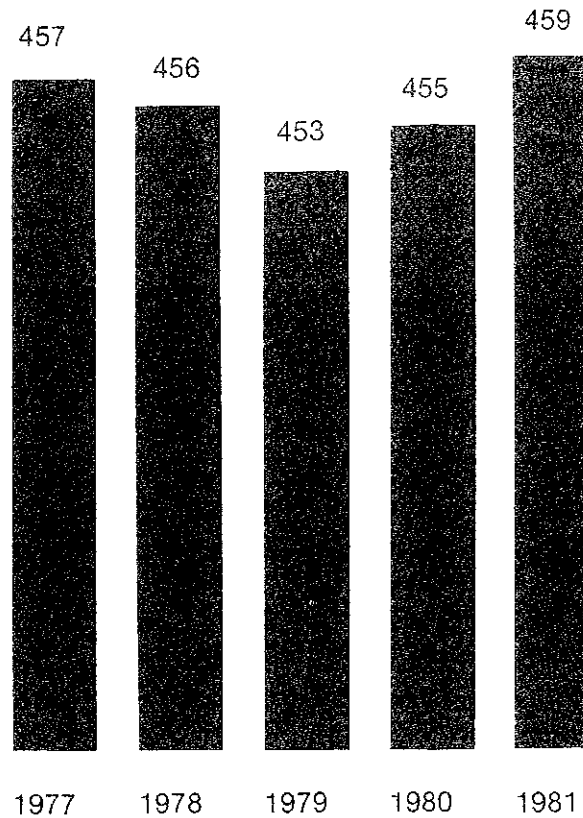
Fraud and abuse detection and deterrence are major concerns of the State's Medicaid administrators. In addition to Medicaid agency staff, the office of the Attorney General has staff fully devoted to the investigation and prosecution of Medicaid fraud. In fiscal 1981, 1,050 cases were initiated from which 441 recoupments were made administratively and 20 cases were referred to the Attorney General for possible fraud prosecution.

On-site visits are made annually to each nursing home where the level of care needs of each Medicaid patient are reviewed. Paid claims are periodically reviewed and those excepting from established norms are analyzed to insure the services are medically necessary. Certain services such as reconstructive surgery, which are very expensive or which may be of questionable necessity under certain circumstances, require prior approval.

Third party resources for medical care, e.g. health insurance, and claims, are an important means of reducing the Medicaid obligation. When a person accepts Medicaid benefits he, by law, agrees to use his own available resources first, including any third party resources designated for health care. North Carolina's Medicaid agency has received national recognition for its successful efforts in recovering third party resources. In FY 1981 for every \$1 spent in this effort, \$61.21 was collected.

**TOTAL MEDICAID ELIGIBLES**  
**State Fiscal Years 1977-1981**

**IN THOUSANDS**



**Total Expenditures For Medical Services, Total Number of Recipients,  
Average Spent Per Recipient, and Percentage By Program Category for  
Federal Fiscal Year 1981**

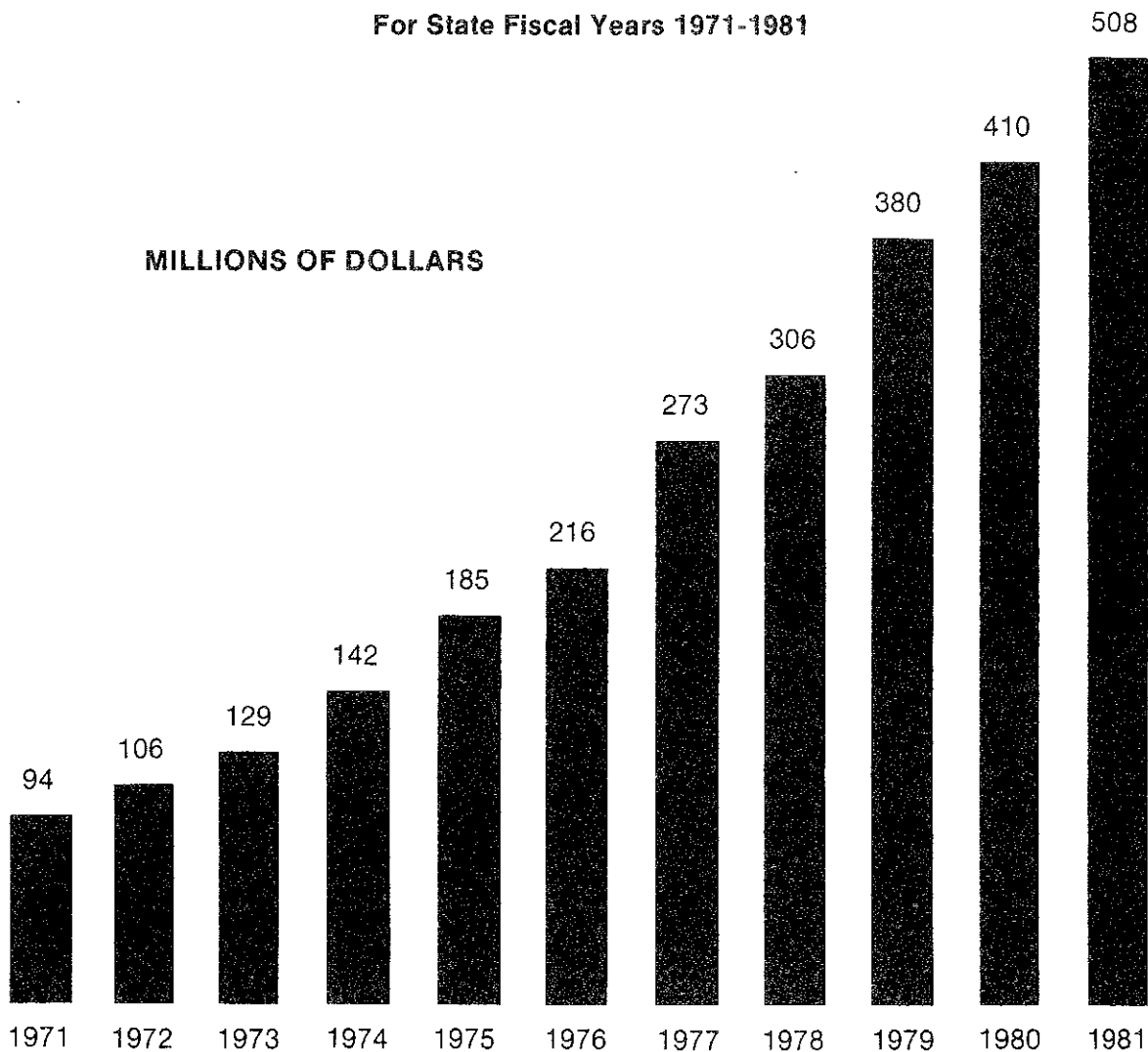
Program Category	Expenditures	Percent of Total	Total No. Recipients	Percent of Total	Average Per Recipient
Total .....	\$477,899,294	100.00	382,386	100.00	\$1,249.78
Aged .....	183,481,352	38.39	76,652	20.05	2,393.69
Blind .....	5,915,394	1.24	2,492	.65	2,373.75
Disabled .....	156,600,110	32.77	51,410	13.44	3,046.10
AFDC-Child .....	50,374,556	10.54	164,972	43.14	305.35
AFDC-Adult .....	64,806,805	13.56	81,689	21.36	793.34
Other Child .....	16,721,087	3.50	5,171	1.35	3,233.63



**A HISTORY OF MEDICAID EXPENDITURES**  
**For State Fiscal Years 1971-1981**

<b>Fiscal Year</b>	<b>Total Expenditures</b>	<b>Percentage Change</b>
1971 .....	\$ 94,463,693	
1972 .....	105,719,572	11.9
1973 .....	128,631,312	21.7
1974 .....	141,833,487	10.3
1975 .....	184,606,164	30.2
1976 .....	215,741,299	16.9
1977 .....	273,338,697	26.7
1978 .....	306,691,301	12.2
1979 .....	379,769,848	23.8
1980 .....	410,053,625	8.0
1981 .....	507,602,694	23.8

**A HISTORY OF MEDICAID EXPENDITURES**  
**For State Fiscal Years 1971-1981**

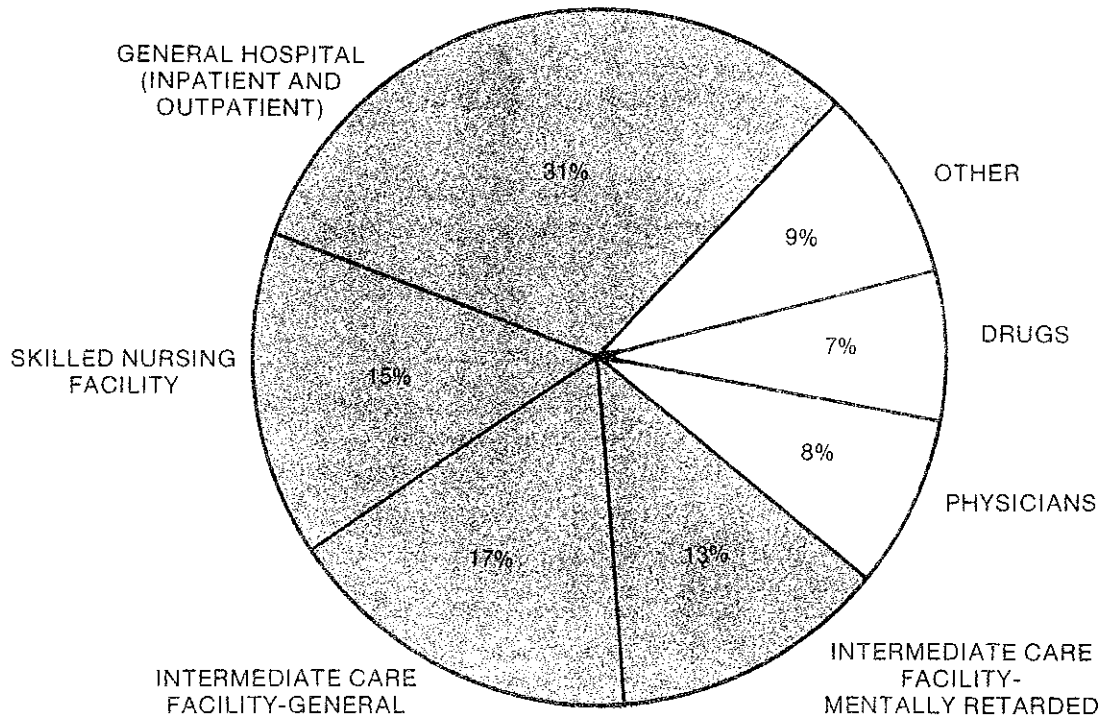


### Comparison of Medical Expenditures for Federal Fiscal Years 1980 and 1981

Type of Service	FY 1981 Expenditures	FY 1980 Expenditures	Percentage Change
Inpatient Hospital .....	\$133,589,144	\$105,640,997	26.46
Outpatient Hospital .....	15,022,572	14,882,217	.94
Mental Hospital .....	7,456,787	10,334,654	27.85
Skilled Nursing Home .....	72,411,391	57,011,096	27.01
Intermediate Care —			
General .....	79,265,889	69,885,869	13.42
Mentally Retarded .....	60,617,900	44,466,053	36.32
Physician .....	36,877,402	32,496,461	13.48
Prescription Drugs .....	34,598,362	32,400,669	6.78
Dental .....	14,470,545	14,145,766	2.30
Buy In Medicare .....	4,368,548	8,260,990	1.30
Screening .....	1,793,322	1,439,480	24.58
Clinics .....	9,201,130	8,756,819	5.07
Family Planning <sup>1</sup> .....	3,313,544	1,799,835	84.10
Home Health .....	2,192,452	1,377,302	59.18
Other .....	7,088,854	6,436,341	10.14
<b>TOTAL .....</b>	<b>\$486,267,842</b>	<b>409,334,549</b>	<b>18.79</b>

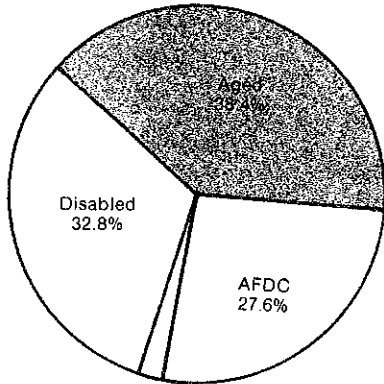
<sup>1</sup>Family Planning recipients increased 66.5%. Family Planning prescription drugs beginning July 1980 were included in the Family Planning service category rather than the Prescription Drugs category.

### Percentage of Expenditures for Selected Categories of Service to Total Expenditures For Federal Fiscal Year 1981



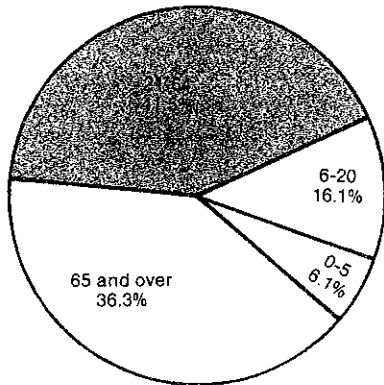
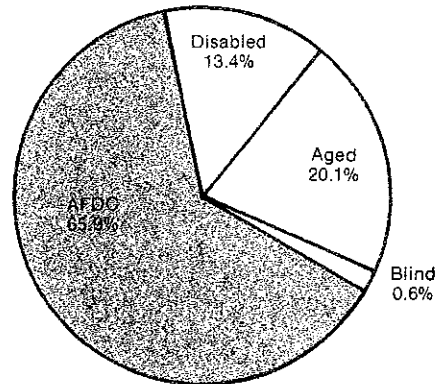
**Expenditures and Recipients by Aid Category, Sex, Race, Age Group  
Federal Fiscal Year 1981**

**EXPENDITURES**

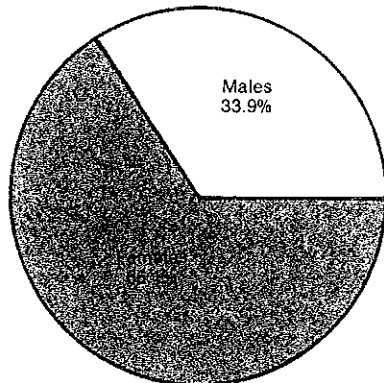
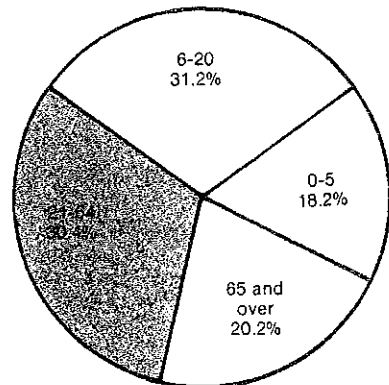


**BY AID CATEGORY**

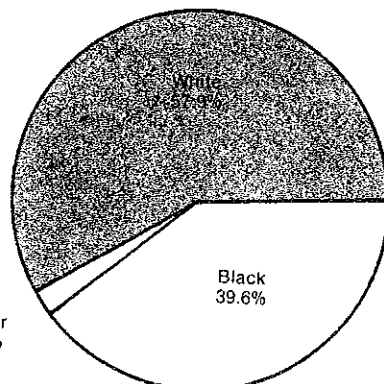
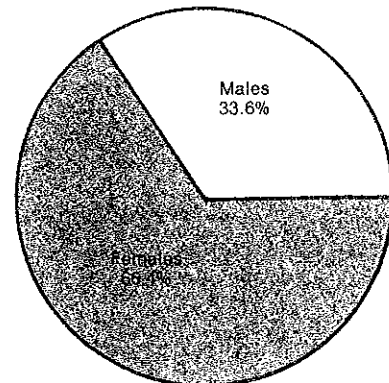
**RECIPIENTS**



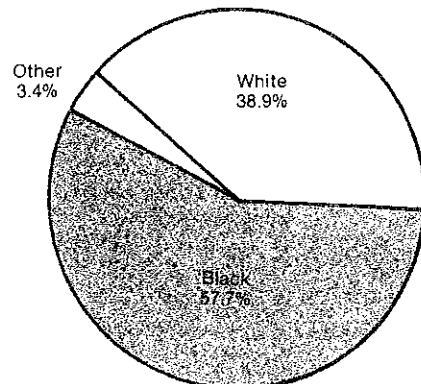
**BY AGE GROUP**



**BY SEX**



**BY RACE**



**Expenditures For Selected Major Medical Services By  
Program Category For Fiscal Year 1981**

Type of Service	Total	Aged	Blind	Disabled	AFSC Children	AFSC Adults	Other Children
Inpatient Hospital .....	\$133,589,144	\$19,098,187	\$1,056,334	\$54,712,178	\$24,715,392	\$32,420,266	\$1,586,784
Outpatient Hospital .....	15,022,572	1,877,471	120,445	4,038,762	4,393,650	4,331,193	211,051
Skilled Nursing Home .....	72,411,391	60,308,802	902,223	10,923,059	31,441	56,731	189,134
Intermediate Care ---							
General .....	79,265,889	68,442,296	1,425,633	9,068,783	12,796	1,518	314,860
Mentally Retarded .....	60,617,900	555,359	1,347,778	46,187,945	110,681	—	12,417,136
Physician .....	36,877,402	5,165,320	293,232	11,081,818	8,375,426	11,541,976	419,628
Dental .....	14,470,545	1,379,488	79,861	1,870,319	5,188,521	5,908,016	144,338
Prescription Drugs .....	34,596,362	17,526,522	482,495	10,273,120	2,004,598	4,211,554	100,071



# Total Vendor Payments and Total Eligibles By County for State Fiscal Year July 1, 1980 — June 30, 1981

County Name	1980 Est. County Population	Number of Medicaid Eligibles	State Expenditure	Federal Share	State Share	County Share
Alamance	99,257	4,988	\$ 6,003,178	\$ 4,056,885	\$ 1,546,583	\$ 399,710
Alexander	25,800	1,140	1,713,412	1,152,132	444,510	116,770
Alleghany	9,789	628	587,985	397,312	161,347	29,326
Anson	25,824	2,481	3,046,423	2,062,081	755,470	228,872
Ashe	22,702	1,468	1,499,842	1,010,374	410,804	78,664
Avery	14,636	888	1,178,918	789,958	313,941	75,019
Beaufort	40,797	3,312	2,765,821	1,874,876	716,243	174,502
Bertie	21,099	2,728	2,561,629	1,735,358	675,963	150,308
Bladen	30,977	4,082	3,803,051	2,576,091	995,692	231,268
Brunswick	37,871	3,004	2,590,405	1,758,446	668,074	163,885
Buncombe	162,832	7,611	11,885,587	8,006,420	3,089,411	789,756
Burke	74,125	3,513	5,305,040	3,563,838	1,375,564	365,638
Cabarrus	87,312	4,522	6,323,774	4,218,177	1,655,196	450,401
Caldwell	69,238	2,700	4,280,662	2,879,939	1,106,742	293,981
Camden	5,894	560	397,374	266,169	97,354	33,851
Carteret	42,508	2,750	2,846,943	1,910,963	726,791	209,189
Caswell	20,921	2,235	1,704,809	1,155,152	445,183	104,474
Catawba	106,950	5,030	7,248,396	4,867,539	1,857,857	523,000
Chatham	33,918	1,849	2,347,955	1,582,702	604,506	160,747
Cherokee	19,306	1,107	1,778,776	1,198,283	468,279	112,214
Chowan	12,790	1,235	1,294,490	871,545	323,167	99,778
Clay	6,854	437	1,014,745	684,597	265,768	64,380
Cleveland	84,774	7,617	7,093,163	4,774,025	1,833,057	486,081
Columbus	51,483	6,138	6,029,834	4,067,359	1,590,662	371,813
Craven	71,949	6,059	5,078,092	3,440,507	1,322,585	315,000
Cumberland	251,082	23,033	16,132,770	10,952,570	4,312,748	867,452
Currituck	12,040	608	645,019	437,972	161,290	45,757
Dare	14,819	479	509,249	348,234	123,712	37,303
Davidson	115,405	5,868	8,091,376	5,442,322	2,043,092	605,962
Davie	25,503	1,200	1,947,813	1,315,974	488,655	143,184
Duplin	41,272	4,400	4,040,018	2,730,428	1,038,580	271,010
Durham	155,260	13,952	14,911,640	10,087,017	3,892,068	932,555
Edgecombe	56,421	8,691	6,175,850	4,177,756	1,589,154	408,940
Forsyth	247,161	18,708	18,662,696	12,595,284	4,748,943	1,318,469
Franklin	30,446	3,292	3,284,473	2,225,632	860,953	197,888
Gaston	164,156	11,787	12,827,383	8,640,534	3,284,426	902,423
Gates	8,924	870	830,526	564,051	213,289	53,186
Graham	7,307	592	715,544	485,399	187,497	42,648
Granville	34,115	2,518	2,734,653	1,845,375	723,737	165,541
Greene	16,227	2,178	1,442,748	977,972	377,045	87,731
Guilford	320,393	24,364	26,694,005	18,033,695	6,813,511	1,846,799
Halifax	55,359	11,089	7,071,206	4,805,061	1,837,002	429,143
Harnett	60,836	6,124	6,554,076	4,411,698	1,715,702	426,676
Haywood	47,074	2,611	3,862,657	2,599,918	1,012,236	250,503
Henderson	61,109	2,584	4,315,507	2,902,640	1,130,498	282,369
Hertford	23,199	2,946	3,095,523	2,099,095	811,430	184,998

Hoke	20,935	2,592	2,316,980	1,576,709	619,372	120,899
Hyde	5,937	623	511,721	351,520	124,587	35,614
Iredell	83,786	4,915	6,316,193	4,251,037	1,621,931	443,225
Jackson	26,418	1,250	1,735,157	1,170,533	452,236	112,388
Johnston	71,682	5,834	7,817,878	5,277,038	2,052,612	488,228
Jones	9,688	1,397	1,196,426	806,893	312,302	77,231
Lee	37,547	2,880	3,559,505	2,400,908	923,298	235,299
Lenoir	60,280	6,347	6,643,818	4,500,037	1,707,659	436,122
Lincoln	43,825	2,124	3,103,701	2,091,727	795,872	216,102
Macon	20,820	694	1,026,691	691,269	266,075	69,347
Madison	16,910	1,836	1,685,558	1,128,390	446,940	110,228
Martin	26,098	2,377	2,000,362	1,349,023	519,399	131,940
McDowell	35,710	2,050	2,758,961	1,851,919	699,681	207,361
Mecklenburg	410,515	30,901	28,462,039	19,160,638	7,443,628	1,857,773
Mitchell	14,546	1,166	1,609,666	1,080,652	423,343	105,671
Montgomery	22,906	1,798	1,929,113	1,295,319	499,277	134,517
Moore	52,252	3,451	4,507,559	3,054,105	1,152,057	301,397
Nash	68,150	7,578	6,232,289	4,220,431	1,619,511	392,347
New Hanover	106,363	9,372	8,639,286	5,847,716	2,207,866	583,704
Northampton	22,515	4,256	2,925,300	1,987,243	747,511	190,546
Onslow	112,691	4,643	4,774,617	3,223,906	1,217,502	333,209
Orange	79,675	2,883	3,380,443	2,280,731	886,301	213,411
Pamlico	10,519	1,024	980,600	661,415	252,939	66,246
Pasquotank	28,582	2,260	2,029,358	1,362,457	516,242	150,659
Pender	22,810	2,328	2,141,878	1,445,000	558,856	138,022
Perquimans	9,662	874	858,386	579,807	221,417	57,162
Person	29,542	2,889	3,320,122	2,245,411	860,923	213,788
Pitt	84,865	10,577	7,566,160	5,132,383	1,962,701	471,076
Polk	13,148	540	878,930	589,003	220,493	69,434
Randolph	93,919	2,826	5,666,247	3,824,611	1,411,270	430,366
Richmond	46,174	3,450	3,948,424	2,669,951	1,026,076	252,397
Robeson	103,879	16,248	11,195,692	7,564,391	2,980,344	650,957
Rockingham	84,902	5,718	6,585,983	4,428,847	1,694,337	462,799
Rowan	100,195	4,727	6,515,753	4,360,935	1,664,269	470,549
Rutherford	54,619	3,831	4,224,546	2,847,454	1,087,330	289,762
Sampson	50,282	4,711	5,407,045	3,644,156	1,401,562	361,327
Scotland	33,017	5,095	3,949,023	2,678,691	1,038,601	231,731
Stanley	49,186	2,541	3,699,041	2,490,917	922,271	285,853
Stokes	34,631	1,591	2,704,635	1,815,081	696,783	192,771
Surry	60,476	3,259	4,286,616	2,890,174	1,074,800	321,642
Swain	10,468	951	1,166,831	788,965	303,136	74,730
Transylvania	23,881	1,287	1,690,585	1,145,578	423,559	121,448
Tyrrell	4,009	675	525,843	361,818	136,858	27,167
Union	72,650	4,426	4,815,702	3,243,572	1,230,627	341,503
Vance	37,274	5,141	3,619,715	2,434,863	958,658	226,194
Wake	311,011	17,507	20,221,878	13,669,154	5,303,314	1,249,410
Warren	16,340	2,912	2,117,020	1,434,679	560,204	122,137
Washington	14,893	1,727	1,271,422	859,294	334,539	77,589
Watauga	33,078	1,364	1,725,189	1,163,256	450,144	111,789
Wayne	98,537	9,443	9,324,935	6,328,821	2,394,596	601,518
Wilkes	59,840	2,747	4,937,909	3,335,795	1,261,765	340,349
Wilson	63,777	7,179	5,467,860	3,706,388	1,428,197	333,275
Yadkin	28,932	1,422	2,327,452	1,572,170	590,486	164,796
Yancey	15,240	1,151	1,059,288	710,472	282,847	65,969
TOTAL	5,997,301	459,364	\$474,288,167	\$320,182,608	\$122,805,421	\$31,300,138



**STATE OF NORTH CAROLINA  
DEPARTMENT OF HUMAN RESOURCES  
DIVISION OF MEDICAL ASSISTANCE  
410 NORTH BOYLAN AVENUE  
RALEIGH, NORTH CAROLINA**