

State Health Plan COVID-19 Costs

Recommendation

Provides \$100 million to meet additional costs incurred by the State Health Plan due to the COVID-19 pandemic, including costs arising from testing, treatment, and vaccinations.

Statement of Need

- The Families First Coronavirus Relief Act requires that health plans meet the costs of COVID-19 testing, with no deductible, from March 18, 2020 until the end of the COVID-19 emergency.
- While the costs of the vaccines have been met by the federal government, all other vaccination costs are met by health insurers.
- The average cost of a hospital COVID-19 test in North Carolina was reported as \$140, while Fair Health reported the average US cost to health plans of inpatient treatment for COVID-19 was \$38,221.^{1,2}

Recommendation Detail

The State Health Plan has incurred significant unplanned costs as a result of the COVID-19 pandemic and expects to incur additional costs during the remainder of 2021 and beyond.

- In calendar year 2020, the State Health Plan expended \$89 million on COVID-19 related costs.
- The State Health Plan projects costs for 2021 to be \$60 million.

While the State Health Plan's current reserves are around \$1 billion and the Plan is in a relatively healthy position, the potential additional medium- and long-term costs of the pandemic are unknown. Additional costs might arise if annual COVID-19 vaccinations and boosters are needed, if plan members have delayed treatment, or if demand for mental health services increases as a result of the pandemic.

Per US Treasury guidance, American Rescue Plan (ARP) funds may only be used for costs incurred after March 3, 2021. The proposed funding of \$100 million will cover expected eligible COVID-19 costs for calendar year 2021 as well as a portion of ongoing costs through December 31, 2024.

Expected Impact

As a result of the proposed additional funding, the State Health Plan is expected to be more resilient to the challenges posed by the pandemic while meeting the traditional health insurance needs of state employees.

¹ <https://www.beckershospitalreview.com/finance/the-average-cost-of-a-hospital-covid-19-test-in-each-state.html>.

² <https://www.fairhealth.org/article/costs-for-a-hospital-stay-for-covid-19>.

Continuity of State Government Operations

Recommendation

Provides \$79.4 million for continuity of operations needs across state government, including activities such as preventing the disruption of government services, managing the deployment of federal funds, improving the state's information technology infrastructure to accommodate remote employment and enhance security, and assessing the impact of the pandemic on key North Carolina industries.

Statement of Need

Due to the pandemic, agencies continue to shoulder unplanned costs that have strained resources.

- Receipt-supported divisions experienced significant COVID-19 related disruptions in revenue. The Department of Natural and Cultural Resources estimates a nearly \$10 million decline in revenue for FY 2020-21 for its attractions, excluding impacts to support organizations. The Department of Agriculture estimates revenue losses of close to \$10.5 million since the pandemic began, primarily due to a drop in facility rentals and events.
- Agencies across the state faced unanticipated costs and need for additional labor, cleaning supplies, and other critical items to prevent the spread of COVID-19.
- The state has received over \$50 billion in federal funding from the CARES Act and American Rescue Plan, requiring ongoing support from the NC Pandemic Recovery Office and the State Auditor to ensure funds are spent as appropriated and comply with all federal requirements.
- The COVID-19 pandemic led to a 72% increase in general ransomware attacks, and a 50% rise in cybersecurity attacks, necessitating cybersecurity enhancements within state government.¹
- North Carolina had 194,000 fewer jobs in January 2021 than in February 2020, and some industries have been disproportionately affected.²

Recommendation Detail

To address the continuity of operations needs across state government and ensure a sound recovery, fund uses may include but are not limited to:

- Replacing lost revenues.
- Covering pandemic-related costs at state-owned facilities, such as COVID-19 testing and PPE for agencies, including UNC, that are not covered by other funding sources.
- Funding ongoing operating costs for the NC Pandemic Recovery Office.
- Providing additional resources to the State Auditor for American Rescue Plan auditing purposes.
- Purchasing critical information technology equipment and cybersecurity software and improving communications and customer services as more state employees work from home.
- Overhauling outdated technologies and increasing cybersecurity within state government.
- Developing industry-informed analyses/response plans (e.g. workforce development, economic development plans) to support the findings of these efforts.

¹ PR Newswire "[Top Cyber Security Experts Report: 4,000 Cyber Attacks a Day Since COVID-19 Pandemic.](#)"

² US Bureau of Labor Statistics, NC Department of Commerce (Current Employment Statistics)

Expected Impact

Funding for these continuities of operations efforts is expected to result in the following:

- Providing essential government services at pre-pandemic levels, Improving cybersecurity and online customer service.
- Fulfilling the state's fiduciary responsibility in distributing federal funds and taxpayer dollars.
- Ensuring state employees have the necessary tools to securely and efficiently work from home.
- Engaged stakeholders and industry-informed analyses and response plans will lead to more successful programs that boost industry after the pandemic.

Repairs and Renovations for Health and Safety

Recommendation

Provides \$50 million to improve ventilation and address other health and environmental concerns in facilities at the Department of Public Safety (DPS) and the Department of Health and Human Services (DHHS). Of the \$50 million, \$30 million will provide for the upgrade or installation of HVAC systems at DPS, and \$20 million will be used for repairs and renovations at treatment centers and other DHHS facilities around the state.

Statement of Need

There are significant repair and renovation needs in state-operated facilities that will make these facilities safer for both staff and residents.

- A number of facilities in DPS' Division of Adult Correction and Juvenile Justice and DHHS' Division of State Operated Facilities need HVAC installation or upgrades. DPS has identified at least 40 separate facilities that lack air conditioning.
- Improving ventilation improves air quality, which is important to reducing the risk of spread of airborne viruses in occupied buildings.
- Twelve congregant-living and long-term care facilities at DHHS have aging HVAC and other building systems. DHHS cites a total need of over \$300 million for facility repairs and renovations.

Recommendation Detail

- Provides \$30 million to improve air quality and living and working conditions for inmates and staff at DPS facilities. DPS may use up to 2% of these funds to hire additional staff to manage these projects. DPS estimates the need for three additional time-limited project managers to oversee work at the 40 facilities.
- Provides \$20 million for health and safety related repairs and renovations at DHHS facilities. Repair and renovation projects would include upgrading HVAC as well as plumbing, electrical, sprinkler, fire, and other aging building systems.

Expected Impact

This funding would improve the air quality and overall conditions for the 15,532 inmates and 8,849 DPS staff at these DPS correctional facilities, and 2,812 patients and residents in long-term care at DHHS hospitals and development and treatment centers.

Assistance for State-Recognized American Indian Tribes

Recommendation

Provides \$18 million to support North Carolina’s seven state-recognized American Indian tribes, none of whom received federal COVID-19 recovery funding. Of these funds, \$16 million will be disbursed to the tribes to meet operational and community needs arising from the pandemic, \$250,000 will support the work of tribal organizations, and \$1 million will go to the NC Commission of Indian Affairs to assist American Indian businesses, including making grants to small and emerging businesses. Allocates \$750,000 over three years for temporary staff to ensure the effective use of disbursements and grants.

Table 1: Allocation of Funds to Support State-Recognized Tribes

Flexible funding for tribes	\$16,000,000
Tribal Organizations	\$250,000
NC Commission of Indian Affairs – Business Grants	\$1,000,000
Temporary staff and administration over three years	\$750,000
Grand Total	\$18,000,000

Statement of Need

American Indians have been harder hit by the COVID-19 pandemic than many groups, and North Carolina's state recognized tribes have not received federal funding to address pandemic impacts.

- A study by the Centers for Disease Control and Prevention (CDC) demonstrated the significant adverse impact of COVID-19 on American Indians, with rates of infection 3.5 times those of non-Hispanic whites.
- Tribes are located in rural, low-wealth communities, with lower access than other communities to basic infrastructure, including broadband as well as water and sewer infrastructure, increasing the negative impacts on health and education.
- These seven state-recognized tribes—unlike federally-recognized tribes—are not eligible to receive funding through the Federal Bureau of Indian Affairs for Indian education, Indian health, cultural sustainability, and infrastructure, including water and sewage infrastructure.
- One-fifth of American Indians in North Carolina live below the poverty line, with one-quarter of households in receipt of food stamps / SNAP¹.

Recommendation Detail

- Provides \$16 million in direct aid to the seven American Indian tribes recognized by North Carolina but not by the federal government – the Coharie, Lumbee², Haliwa-Saponi, Sappony, Meherrin, Occaneechi, and Waccamaw. Every state-recognized tribe would receive base funding of \$1 million, utilizing \$7 million of these funds, plus an additional \$9 million to be disbursed on a per capita basis. The tribes can use these funds for items such as:
 - **Food security:** Directly provide fresh food, enhancing food security, and reducing the prevalence of food deserts. Funds may also be used to purchase or repair infrastructure, such as refrigeration, to support food distribution.

¹ <https://schs.dph.ncdhhs.gov/schs/pdf/NCPopHealthDataByRaceEthOct2019v2.pdf>.

² The Lumbee are federally-recognized, but were excluded from all funding via the Bureau of Indian Affairs.

- **Indian Education:** Provide scholarships for students from low-income families, funds to be used to purchase equipment, books, uniforms, and other educational supplies.
- **COVID-19:** Purchasing PPE and rehabilitating tribal and other community facilities so the facilities can be used safely for meetings, e.g. installing new HVAC systems.
- **Tribal Transportation:** Purchase vehicles to provide transportation for the elderly and disabled to medical facilities, hospitals, clinics, etc., and to transport fresh food from farmers markets located in nearby towns and cities to tribal distribution centers.
- **Support for the elderly and people with disabilities:** Funding for housing rehabilitation and the installation of new HVAC systems, security lighting to reduce crime, energy assistance grants, and other forms of assistance.
- Providing employment, training, and staffing to **address Indian child welfare issues.**
- Provides \$250,000 for tribal organizations that promote American Indian culture, support American Indian education, and advance economic development in the American Indian community. This funding would help bridge gaps between tribal programs and the needs of American Indians who do not live within tribal territories or communities.
- Allocates \$1 million to the NC Commission of Indian Affairs to assist American Indian businesses and address cultural preservation. The Commission may use these funds for activities such as:
 - Supporting small and emerging American Indian businesses, including providing grants to upgrade existing business facilities, foster startup businesses, purchase equipment, and pay fees needed for business startups.
 - Preserving and promoting American Indian cultural sites. This could include developing travel and tourism projects associated with tribal cultural sites, establishing historic markers, and performing repairs and renovations at American Indian historic sites.

Expected Impact

Expected impacts include:

- Funding will reach an estimated 67,000 American Indians, helping address food security, and health and economic problems exacerbated by the COVID-19 pandemic.
- Business grants will help many of the 1,200 American Indian-owned businesses with paid employees in North Carolina as well as American Indian-owned startup businesses.³

³ <https://www.ncdemography.org/2016/09/02/nc-in-focus-new-data-on-entrepreneurship/>.

Assistance for Local Governments

Recommendation

Provides \$65 million for capacity building services to help local governments across North Carolina spend their Local Recovery Fund allocations strategically and to hold harmless two towns relative to estimated American Rescue Plan (ARP) allotments. Of these funds, \$41 million will go to the North Carolina League of Municipalities (NCLM), the North Carolina Association of County Commissioners (NCACC), and the North Carolina Association of Regional Councils of Governments (NCARCOG) to provide guidance to localities as they manage ARP allocations, and \$24 million will go to the towns of Apex and Huntersville to match original ARP Congressional allocation estimates.

Statement of Need

- Nationwide, ARP provides \$130 billion to local governments, including counties, cities, and smaller local governments, to mitigate the fiscal effects of COVID-19.
- North Carolina is estimated to receive a total of \$3.39 billion in Local Fiscal Recovery Funds, significantly more money than localities manage in their yearly budgets.
- 651 local government units in North Carolina will receive Local Fiscal Recovery Funds. This total includes all 100 counties, 24 entitled direct recipients (metros), and 527 listed non-entitled recipients (smaller non-metros).
- Smaller units of government in particular will need assistance in directing the funds and complying with ARP spending requirements and guidance.
- NCLM, NCACC, and NCARCOG have expressed the need for mediation, planning, research, technical support, and training for local governments, as well as internal administrative capacity as it relates to ARP funds.
- Original Congressional estimates classified the Town of Apex and the Town of Huntersville as non-entitlement units and included \$17.35 million for Apex and \$17 million for Huntersville, but subsequent Treasury calculations were \$5.26 million and \$4.81 million respectively.

Recommendation Detail

- Provides \$12.5 million to NCLM to assist with ARP information dissemination, consulting, and one-on-one assistance for North Carolina's 551 municipalities.
- Provides \$12.5 million to NCACC to assist with ARP information dissemination, consulting, and one-on-one assistance for North Carolina's 100 counties.
- Provides \$16 million to NCARCOG to fund the 16 regional councils of governments across the state to assist with ARP information dissemination.
- Allocates \$12 million each to the Town of Apex and the Town of Huntersville to ensure they receive funding that aligns with their original Congressional estimates.

Expected Impact

North Carolina local governments will be receiving an unprecedented amount of federal funds.

Supporting local governments in the use of these funds is expected to have the following impacts:

- Address short and long-term needs with these one-time funds.
- Position local governments to better direct funding to critical investments including water, sewer, and broadband infrastructure.
- Prepare local government with the guidance and support needed to spend ARP funds and comply with federal spending and accountability requirements.