

North Carolina Department of Health and Human Services

Pat McCrory
Governor

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Secretary

March 17, 2016

In October, I wrote to you in response to what we anticipated would be a growing number of requests to approve LME/MCO mergers and county movement from one LME/MCO to another. In that letter (attached), I described that we would not be acting on requests *at that time*, but fully expected to begin doing so in early summer 2016.

The reason for this was to invest the time needed to put a foundation in place. This foundation includes:

- Vision for Medicaid Reform (submitted to the General Assembly on March 1)
- Vision for integration of behavioral and physical health (submitted to the General Assembly on March 1)
- Rules promulgation for county movement (submitted to the Office of State Budget and Management and the DHHS Commission for Mental Health, Developmental Disabilities and Substance Abuse Services in late February)
- DHHS assessments of equity, stability, and sustainability of services
- System feedback from the General Assembly, Advisory Committees, and Advocates

The initial phase of this work is now complete. The future that we are driving toward can now be considered by Boards, counties, and DHHS in making both short-term and long-term decisions.

The Case for Consolidation

As a result of this work, we have determined that further consolidation of LME/MCOs is in the best interest of the State and the beneficiaries of these services.

Consistency of type and availability of services vary across the state. Consolidation will improve consistency, decrease administrative burden on providers offering services to more than one LME/MCO, and result in better coordination of care for individuals temporarily placed out of current catchment areas, such as foster care children.

Importantly, with the future of Medicaid, greater scale will be a key requirement for success. Success to deliver a potentially broader and more integrated service array. And success to partner with potential new entrants after Medicaid Reform goes live several years from now. Therefore, further consolidation is required to protect and advance LME/MCO long-term viability.

In summary, further consolidation will improve quality of services, accessibility, accountability, and long-term sustainability.

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The Pathway for Consolidation

We recognize and are sensitive to the impact of this decision on beneficiaries, counties, LME/MCO boards, and management teams. Consolidation requires significant time, work, and leadership focus. Therefore, we undertook this decision with a great deal of care and concern.

We consulted ideas on consolidation developed by the LME/MCOs themselves in December 2013. *Our final consolidation vision is almost identical to what was proposed by LME/MCO CEOs at that time.*

As you'll see on the attached map, the newly consolidated catchment areas will be as follows:

Eastern Region: Trillium Health Resources and Eastpointe

North Central Region: Cardinal Innovations Healthcare Solutions and CenterPoint Human Services

South Central Region: Alliance Behavioral Healthcare and Sandhills Center

Western Region: Smoky Mountain Center and Partners Behavioral Health Management

And while there is a framework already in place for how LME/MCO boards should organize when LME/MCOs reach a certain size, we are seeking input from these boards and county leaders on their ideas for governance structures going forward.

Next Steps

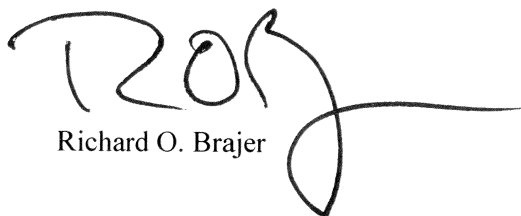
As a next step, we will be asking boards and management teams for their implementation concerns. And later in the summer, we will be asking for implementation plans and timelines. Our department will be in close contact with boards and management teams throughout this process.

Given that consolidation planning and governance considerations will require the entire focus of the boards and affected counties, and given that rules for county movement are still in process, requests for county disengagement will be on hold as our draft rules work their way through the approval process.

In support of these and any other board level needs or concerns, I will make myself personally available to Board Chairs and CEOs in situations where agreements are hard to reach.

We encourage you to reach out with your thoughts and questions as we move forward in this direction.

Thank you,



Richard O. Brajer