North Carolina Medicaid Reform – Status Briefing

Overview

Medicaid reform was signed into law by Gov. McCrory in September 2015, after extensive engagement with the General Assembly, providers, beneficiaries and other stakeholders throughout the state. Outlined in SL 2015-245 (HB 372), Medicaid reform, once approved by the Centers for Medicare & Medicaid Services (CMS) will transform North Carolina Medicaid and NC Health Choice programs through system-wide innovation for beneficiaries, communities and providers while promoting budget stability. SL 2015-245 required DHHS to submit an 1115 Demonstration Waiver to CMS by June 1, 2016, to support reform goals.

Milestones

ONGOING	DHHS actively engages and considers feedback from stakeholders across North Carolina
COMPLETED	
March 1, 2016	• Draft Section 1115 demonstration waiver application prepared and presented to the Joint Legislative Oversight Committee on Medicaid and NC Health Choice (JLOC) • Medicaid reform report delivered to JLOC
March 7 – April 18, 2016	• Draft waiver application posted for public comment for 43 days (CMS requires 30 days) • 12 public hearings held across the state to collect public feedback (CMS requires two hearings) • 1,590 individuals attended public hearings, of which 323 attendees spoke • More than 750 commenters provided input through the public hearings, website, postal mail, email, voice mail and two Medical Care Advisory Committee meetings
April 12, 2016	• DHHS submitted requests for General Assembly to modify SL 2015-245
May 1, 2016	• Report on North Carolina Health Transformation Center development provided to JLOC
NEXT	
May 31, 2016	• Section 1115 demonstration waiver application will be filed with the CMS • Press conference with Gov. McCrory, Secretary Brajer; JLO chairs
June 1, 2016	• CMS and DHHS begin to discuss and refine waiver application details (estimated 18 months)
January 2018 (est.)	• Section 1115 demonstration waiver application finalized, and approved by CMS
July 1, 2019 (est.)	• Pre-paid health plans launched

S.L. 2015-245 Requirements

The following table lists S.L. 2015-245 requirements and how they are addressed.

S.L. 2015-245 REQUIREMENT	IN WAIVER APPLICATION – Y/N
Part I, Section 4: Structure of Delivery System	
4.1 DHHS authority. DHHS has full authority to manage NC Medicaid and NC Health Choice; DHB is responsible for planning and implementing Medicaid transformation	Yes
4.2 Prepaid health plan. Commercial plans and provider-led entities, which will operate a capitated contract for delivery of services	Yes
4.3 Capitated contracts. DHB will enter into capitated contracts with PHPs, as a result of RFPs and submission of competitive bids	Yes
4.4 Services covered by PHPs. PHP capitated contracts will cover all Medicaid and NC Health Choice services, including physical health services, prescription drugs, LTSS and NC Health Choice behavioral health services; LME/MCOs are excluded until 4 years after capitated contracts begin; dental services are excluded	Yes, with exceptions requested by DHHS
4.5 Populations covered by PHPs. PHP capitated contracts will cover Medicaid and NC Health Choice program aid categories except dually eligible recipients; DHB will develop a dually eligible long-term coverage strategy	Yes, with exceptions requested by DHHS
4.6 Number and nature of PHP contracts. 3 statewide contracts; 10 regional contracts; initial PHP capitated contracts may be staggered in duration of 3-5 years	Yes
4.6a PHPs will comply with General Statutes Chapter 58. Joint review by DHHS, DHB and Department of Insurance	N/A; reflected in 3/1 JLOC report
4.7 Defined measures and goals. Delivery system and contracts will be built on defined measures and goals for health outcomes, quality of care, patient satisfaction, access and cost	Yes
4.8 PHP administrative functions. PHPs are responsible for administrative functions for enrolled recipients, including claims processing, care and case management, and grievances and appeals.	Yes, details will be included in contracts
4.9 LME/MCOs. LME/MCOs will continue to manage behavioral health services for enrollees under existing waivers for 4 years after PHP capitated contracts begin; DHB will negotiate rates and make payments directly to LME/MCOs during the 4-year period	Yes
Part 1, Section 5: Role of DHHS	
5.1 Section 1115 waiver application to CMS. Submit 1115 waiver, and any other waivers and plan amendments as necessary	Yes, 1115 has been submitted; plan amendments will be submitted if and when identified
5.2 Regions. Develop 6 regions that reasonably distribute populations across the state	N/A; reflected in 3/1 JLOC report
5.3 PHP contract performance. Oversee, monitor and enforce	N/A; part of PHP contracting
5.4 Transformed Medicaid and NC Health Choice programs. Ensure sustainability	Yes
5.5a-c Set rates. Actuarially sound capitation rates that are risk-adjusted and include a portion at-risk for quality and outcome measures, and value-based payments; appropriate rate floors for in-network primary care physicians, specialist physicians, and pharmacy dispensing fees; fee-for-service rates	N/A; part of program design and PHP contracting
5.6a-e PHP standardized contract terms. Through RFPs and competitive bids, DHB will develop standard contract terms including risk-adjusted cost growth of 2% for enrollees; use of same prescription drug formulary; minimum medical loss ratio of 88%; include providers in coverage area designated as essential providers; assign enrollees a PCP if one is not elected	Yes, with details part of PHP contracting
5.7 RFPs for PHP capitated contracts. Consult with JLOC/Medicaid and NCHC before issuing RFPs	Yes
5.8 Recipient assignment to PHPs. Develop and implement process, including at least family unit, quality measures and primary care physician	Yes
5.9 Program integrity. Define methods against fraud, waste, abuse	N/A; part of program design

S.L. 2015-245 REQUIREMENT	IN WAIVER APPLICATION – Y/N
5.10 Health Information Exchange. Require PHPs and providers to submit data through HIE	Yes
5.11 Dual eligibles. Develop advisory committee; develop long-term strategy; report strategy to JLOC/Medicaid and NCHC	Yes
5.12a-n JLOC/Medicaid and NCHC reporting. March 1: Provide draft waiver, report, statutory changes, DHB staffing, contract distribution, etc.	N/A; completed
5.13a-d. Designate essential providers. Include federally qualified health centers, rural health centers, free clinics and local health departments	Yes

Changes to March 1 Draft Waiver Application

DHHS continues its commitment to listen to and engage stakeholders throughout the state. Input to the draft waiver application reflects DHHS review and consideration of:

- Public comments, including tribal consultation with the Eastern Band of Cherokee Indians (EBCI)
- DHHS internal review and discussion
- Final Medicaid managed care rule, as feasible, (published May 6, 2016)
- Modifications to improve flow and readability

Changes made to the March 1 draft waiver application for the final June 1 submission, based on public comments received are summarized below. The June 1 waiver application will include a detailed summary of public comment with DHHS' responses. Many of these comments were related to operational issues that are not addressed in the waiver application. These comments have been reviewed and will be addressed as part of program design and PHP contracting.

Changes to March 1 Draft Waiver Based on Public Comment

PUBLIC COMMENT THEME	CHANGE TO DRAFT WAIVER
Medicaid expansion requests	• No change made to waiver.
Provider concerns related to working with multiple PHPs and requests for standardization / centralization	• While no significant changes were made to the waiver, DHHS indicated its intent to work with stakeholders to minimize the administrative burden on providers. This will include working with stakeholders to maximize standardization, centralize functions where feasible, and reduce unnecessary requirements.
Concerns over beneficiary access	• DHHS clarified that network and access standards would comply with new federal regulations with additional details determined as part of program design and PHP contracting.
Cost settlement for public ambulance providers	• Added public ambulance providers and state facilities as eligible for wrap-around cost settlements.
Request to cover community paramedic programs	• Added that DHHS supports the use of cost-effective alternative services by PHPs, such as community paramedic services.
Carved out populations	• Excluded people enrolled in NC Health Insurance Premium Payment (HIPP) program from enrollment in prepaid health plans (PHPs).
Preservation of current patient-centered medical home / enhanced primary care case management model	• Waiver clarifies that these models are the foundation of person-centered health communities. Existing functionality will continue with responsibilities shared by PHPs, providers, and/or DHHS.
Requests for clarification	• Added language regarding Person-centered Health Communities and included a conceptual illustration. • Removed language that S.L. 2015-245 requires integration of physical and behavioral health services within a single capitated system. • Clarified that waiver will change delivery but not coverage of the state plan and Community Alternative Program for Children (CAP/C) or Disabled Adults (CAP/DA) services for Medicaid-only beneficiaries eligible for long-term services and supports (LTSS). • Clarified that provider-led entities are managed care organizations as defined by CMS, and that all PHPs will be required to comply with federal Medicaid managed care requirements. • Clarified that DHHS intends to contract with three statewide plans, as required by SL 2015-245. • Reference to I/DD health homes was removed with clarification that DHHS intends to support I/DD providers to enhance their ability to provide primary care for individuals with I/DD and to increase the capacity of primary care providers to better meet the needs of individuals with I/DD.
EBCI requests through tribal consultation	• Clarified that PHPs may include a tribal/Indian managed care entity. • Added EBCI proposal regarding supplemental payments for uncompensated care and alternative services. • Added various assurances requested by EBCI.

Other Changes to March 1 Draft Waiver

RATIONALE FOR CHANGE	CHANGE TO DRAFT WAIVER
CMS Public Notice Requirement	• Added summary of public notice process (e.g., website, public hearings). • Added summary of tribal consultation process. • Added summary of public comments and DHHS responses.
Additional Details Needed for Financing Section	• Added sample Delivery System Reform Incentive Payment (DSRIP) initiatives. • Added information regarding workforce initiatives. • Included projected expenditures for Medicaid Uncompensated Care Payments, DSRIP, workforce initiatives, and tribal supplemental payments for uncompensated care and alternative services.
Budget Neutrality Addition	• Added narrative and completed budget neutrality forms.
Reflection of Medicaid Managed Care Final Rule	• Added provider network standards. • Added requirements for enrollees who need long-term services and supports. • Added beneficiary support system. • Added value-based payments.
North Carolina Health Transformation Center	• Changed "Innovations Center" to North Carolina Health Transformation Center. • Reflected May 1, 2016, report to JLOC/HHS (copy of report will be attached to June 1 waiver application).
Structural Changes to Improve Readability and Flow	• Initiatives are no longer organized by Quadruple Aim elements; however, including an illustration of how each initiative aligns with each aim. • Changed order of some initiatives and items (e.g., foster care proposals included as their own initiative; moved provider administrative ease to first item of provider engagement and support initiative). • Strengthened waiver rationale and executive summary.
Eligibility Chart Required by CMS	• Added a chart of populations included or excluded from waiver and PHPs.
Appendices to Provide Additional Background and Public Notice Evidence	Added the following appendices: • Appendix B. Summary of Public Comments and Responses • Appendix C. Tribal Consultation and Assurances • Appendix D. North Carolina Health Care Transformation Center Report • Appendix E. Governor's Press Release • Appendix F. Detailed Public Notice • Appendix G. Website Comment Form • Appendix H. Abbreviated Public Notice (published in newspapers) • Appendix I. Newspaper Notices