PUBLIC NOTICE

North Carolina Department of Health and Human Services
Notice of Intent to Submit Social Security Act Section 1115 Demonstration Proposal
(Medicaid Reform Waiver Application)

March 7, 2016

Pursuant to 42 C.F.R. §431.408, the North Carolina Department of Health and Human Services (DHHS) is giving public notice of its intent to submit a Section 1115 demonstration proposal to the Centers for Medicare & Medicaid Services.

Description, Goals and Objectives

North Carolina's Demonstration Goal: Achieving the Quadruple Aim

The North Carolina Department of Health and Human Services' (DHHS') proposed Social Security Act Section 1115 demonstration application to the federal Centers for Medicare & Medicaid Services (CMS) sets forth a plan to improve the access to, and quality and cost effectiveness of health care for our growing population of Medicaid and NC Health Choice beneficiaries by restructuring care delivery using accountable, next-generation prepaid health plans, redesigning payment to reward value rather than volume, and planning toward true "person-centered" care grounded in increasingly robust patient-centered medical homes and wrap-around community support and informatics services.

Under the demonstration, DHHS will build upon the North Carolina Medicaid and NC Health Choice programs' tradition of innovation, community-based access and quality. DHHS will restructure care delivery in several ways: using a hybrid model of risk-based health plans; launching the next generation of the patient-centered medical home care model via our plan for North Carolina person-centered health communities; and redesigning payment to reward value and outcomes. This hybrid model will offer a combination of regional and statewide provider networks.

The North Carolina General Assembly enacted Session Law 2015-245 to transform and reorganize North Carolina's Medicaid and NC Health Choice programs. This law directs DHHS to redesign Medicaid and NC Health Choice to achieve the following goals:

1) Ensure budget predictability through shared risk and accountability;
2) Ensure balanced quality, patient satisfaction, and financial measures;
3) Ensure efficient and cost-effective administrative systems and structures; and
4) Ensure a sustainable delivery system through the establishment of two types of prepaid health plans: provider-led entities and commercial plans.

These goals align fully with the Triple Aim of 1) improving the patient experience of care; 2) improving the health of populations; and 3) containing the per capita cost of health care; and go one step further by pursuing the Quadruple Aim—the Triple Aim + 4) Improved Provider Engagement and Support.
Implementation will be through four broad-based initiatives and the corresponding program proposals:

Demonstration Initiative #1: Creating Systems of Accountability for Outcomes

- Next generation prepaid health plans in a hybrid model
- Transformation of patient-centered medical homes to person-centered health communities
- Progress toward integrated behavioral and physical health service coordination
- Long-term services and supports (LTSS) for Medicaid-only individuals

Demonstration Initiative #2: Creating North Carolina Person-Centered Health Communities and Connecting Children and Families in the Child Welfare System to Better Health

- Person-centered health communities to participate in prepaid health plan provider networks
- Improve rural health access, outcomes and equity
- Enhancing outcomes for children and families in the child welfare system

Demonstration Initiative #3: Supporting Providers through Engagement and Innovations

- Practice supports for quality improvement
- Innovations Center
- Health information exchange (HIE)
- Statewide informatics layer
- Strengthening the safety net of hospitals
- Community residency and health workforce training
- Provider administrative ease in prepaid health plan contracts

Demonstration Initiative #4: Care Transformation through Payment Alignment

- Safety net hospital payments
- Delivery System Reform Incentive Payment (DSRIP) initiatives
- Incentives in capitated payments
- Rural and public provider payments

DHHS will submit the demonstration application to CMS on June 1, 2016, and is requesting approval from CMS no later than January 1, 2018.

Eligibility

Except for parents of children in foster care, there are no changes to Medicaid and NC Health Choice (CHIP) statutory program eligibility criteria under the demonstration. DHHS is proposing to allow parents to retain their Medicaid eligibility while their children are being served temporarily by the foster care program.

Except as provided below, participation in the demonstration will be mandatory for all Medicaid eligibility categories, including the aged, blind and disabled, as well as individuals enrolled in NC Health Choice (CHIP). The following individuals will not be enrolled in the demonstration:

- Medicaid and Medicare “dual eligibles.”
- Individuals enrolled in the Program of All-Inclusive Care for the Elderly (PACE).
- Individuals enrolled in Medicaid for emergency services only.
- Individuals eligible for Medicaid as “medically needy.”
- Individuals eligible for periods of presumptive eligibility.

Members of federally recognized tribes may participate in the demonstration and prepaid health plans if they elect, or “opt-into,” enrollment. Indian health/tribal providers will not be required to be part of prepaid health plan networks.

Benefits and Cost Sharing

All Medicaid mandatory and optional services and CHIP state plan services will be provided under the demonstration with the following exceptions:

- Services currently provided through Local Management Entities/Managed Care Organizations (LME/MCOs) under fully capitated payments (applies to Medicaid, not NC Health Choice beneficiaries)
- Dental services
- Program of All-Inclusive Care for the Elderly
- Local education agency services
- Children’s Developmental Services Agency services

DHHS will operate this 1115 demonstration concurrent with the following existing section 1915(c) waivers, which will remain in place during the demonstration period:

- Community Alternatives Program for Children (CAP/C)
- Community Alternatives Program for Disabled Adults (CAP/DA)

All services approved under these waivers will be delivered to non-dual eligibles through the demonstration, and coverage for these home- and community-based waiver services will continue to be derived from the section 1915(c) waivers. The 1115 demonstration will provide the authority for these services to be delivered through capitated prepaid health plans.

Individuals enrolled in the North Carolina section 1915(b)/(c) concurrent waivers will be included in the demonstration to receive non-waiver Medicaid state plan services through the prepaid health plans. All 1915 (b)/(c) waiver services currently provided through North Carolina's LMEs/MCOs will continue to be delivered through the LMEs/MCOs. The demonstration will focus on progressing toward integrated behavioral and physical health and planning for the integration of behavioral health services within a single capitated system.

There are no changes to cost sharing for either Medicaid or NC Health Choice program beneficiaries under the demonstration.

Delivery System and Payment Rates for Services

Under this demonstration, DHHS will transition from the fee-for-service enhanced primary care case management program operated today to a full-risk capitation model. DHHS will contract with prepaid health plans on a capitated basis, using actuarially sound capitation rates and value-based purchasing principles to achieve our desired goals in the Quadruple Aim. These prepaid health plans will include entities known as provider-led entities, led by North Carolina providers, and commercial plans. This hybrid model will offer a combination of regional and statewide provider networks.

DHHS will simultaneously address the financial underpinnings of the current Medicaid provider payments to provide a glide path to a capitated model in which provider innovation is encouraged, but disruption to the Medicaid safety net is minimized. DHHS will implement Medicaid payment reforms using a blended approach that includes direct payments to Medicaid safety net hospitals for Medicaid uncompensated care, DSRIP programs, risk-based incentive payments paid as a part of the prepaid health plan rates, and rural/safety net provider payments. These initiatives are designed to ensure stability within our safety net providers and prepare for success in delivery system reforms.

With the exception of members of a federally recognized tribe, North Carolina 1115 demonstration participants will mandatorily enroll in a capitated prepaid health plan.

Demonstration Hypotheses and Evaluation Plan

DHHS will develop an evaluation design for the demonstration to test the following hypotheses:

1) Building on North Carolina's current system of primary care and enhanced care management, the person-centered health communities will drive the primary care integration model by supporting coordinated access to specialty care, providing routine behavioral health screening, diagnosis and management, coordinating social and home-based services, and coordinating with the state's specialty behavioral health system to achieve integrated health goals.

2) By requiring outcome and performance measures, and tying measures to meaningful financial incentives for prepaid health plans and providers, the state will improve health care quality and improve beneficiary and provider experience and satisfaction.

3) Our hybrid model of PLEs and CPs will create a diverse proving ground where lessons learned can be evaluated against the Quadruple Aim.

4) Improved supports for children in foster care: a) statewide expansion of "Fostering Health NC"; b) designating a prepaid health plan for children in foster care will provide continuity of care for the children regardless of their place of residence, and reduce unnecessary health care expenditures through dedicated and coordinated care management during the child welfare experience for children in foster care and their families; and c) continuation of Medicaid eligibility (especially to provide behavioral health services) for parent(s) of children temporarily removed from the home, will result in shorter length of foster care placement. Shorter length of out-of-home placement will reduce Medicaid expenditures for services during the foster care service provision, as well as Medicaid eligibility for the former foster children after reaching age 18, up to age 26.

The evaluation design for the Demonstration will address these hypotheses by focusing on the following questions:

- Which of the components of the North Carolina person-centered health community (the next generation patient-centered medical home), demonstrate a direct correlation to improved health outcomes for Medicaid and NC Health Choice beneficiaries?
- Which of the measures of outcomes or performance show the most improvement and are there any meaningful differences in the performance of PLEs compared to commercial plans?
- Which value-based models in the demonstration that incentivize and pay for performance show a correlation to better health outcomes for beneficiaries and/or practice transformation success?
- Does continuity of Medicaid eligibility for parents of children placed in foster care reduce length of stay in foster care and avert long-term costs to Medicaid?

Estimated Impact on Expenditures and Enrollment

The following projections use state fiscal year 2015, historical aggregate per capita cost trend, and enrollment trend data based on the populations expected to be enrolled in the demonstration.

	HISTORICAL ENROLLMENT AND BUDGETARY DATA					
	SFY 2011 (7/1/2010 - 6/30/2011)	**SFY 2012 (7/1/2011 - 6/30/2012)**	**SFY 2013 (7/1/2012 - 6/30/2013)**	**SFY 2014 (7/1/2013 - 6/30/2014)**	**SFY 2015 (7/1/2014 - 6/30/2015)**	**5 Year Total**
Members	1,540,410	1,593,119	1,628,745	1,677,202	1,818,809	8,258,285
Historical Aggregate Expenditures	$5,326,729,064	$6,287,379,355	$6,191,935,043	$7,577,222,227	$7,655,574,621	$33,038,840,311

	DEMONSTRATION YEARS (DY)					
	DY 1 (1/1/2018 - 12/31/2018)	**DY 2 (1/1/2019 - 12/31/2019)**	**DY 3 (1/1/2020 - 12/31/2020)**	**DY 4 (1/1/2021 - 12/31/2021)**	**DY 5 (1/1/2022 - 12/31/2022)**	**5 Year Total**
Members	1,984,907	2,025,613	2,068,287	2,113,033	2,159,974	10,351,814
Historical Aggregate Expenditures	$9,617,763,981	$10,269,342,336	$10,972,001,556	$11,730,218,374	$12,548,984,673	$55,138,310,920

Waiver and Expenditure Authorities

The table below describes the authorities requested under the demonstration. DHHS will review this request in light of the final Medicaid managed care regulations once those rules are finalized.

Waiver/Expenditure Authority Section Citation	Type	Proposed Waiver/Expenditure Authority Language	Descriptive Reason For Waiver/Expenditure Authority Request
1. Amount, Duration, and Scope of Services Section 1902(a)(10)(B) and 1902(a)(17)	Waiver Authority	To the extent necessary to permit North Carolina to offer coverage through prepaid health plans that provide additional or different benefits to enrollees, than those otherwise available to other eligible individuals.	To permit North Carolina to implement mandatory managed care through prepaid health plans for demonstration participants. Prepaid health plans may offer additional benefits, such as health education and value-added services not available to other Medicaid beneficiaries not participating in the demonstration.
2. Freedom of Choice Section 1902(a)(23)(A)	Waiver Authority	To the extent necessary to enable North Carolina to restrict freedom of choice of provider through the use of mandatory enrollment into MCOs for demonstration participants.	To permit North Carolina to implement mandatory managed care through prepaid health plans and their network providers for demonstration participants.
3. Statewideness Section 1902(a)(1)	Waiver Authority	To the extent necessary to allow North Carolina to implement managed care statewide on a phase-in basis if part of final program design.	To permit North Carolina to implement statewide mandatory managed care through prepaid health plans for demonstration enrollees on a phased-in basis as necessary.
4. Expenditures for Targeted Provider Medicaid Uncompensated Care Costs (Safety Net Hospital Payments)	Expenditure Authority	Expenditures for care and services that meet the definition of “medical assistance‟ contained in section 1905(a) of the Act that are incurred by eligible providers for uncompensated Medicaid medical care costs of medical services provided to Medicaid eligible or uninsured individuals.	Expenditures to providers to stabilize and invest in safety-net providers to ensure access to care as North Carolina transforms Medicaid payments from FFS to capitation under prepaid health plans.

Waiver/Expenditure Authority Section Citation	Type	Proposed Waiver/Expenditure Authority Language	Descriptive Reason For Waiver/Expenditure Authority Request
5. Expenditures for DSRIP	Expenditure Authority	Expenditures for incentive payments under a DSRIP program.	Expenditures to eligible providers to stabilize and invest in safety net providers and enable North Carolina to transform to a system of value-based payment (VBP) as the State transitions from FFS to capitation under prepaid health plans.
6. Expenditures for Non-Hospital Clinic and Local Health Department Expenditures that Support Rural Health	Expenditure Authority	Expenditures for Rural and Public Provider Initiatives.	Expenditures to eligible federally qualified health centers (FQHCs) and rural health center (RHC)-like clinics and local health departments to preserve funding levels through "wrap-around" payments.
7. Expenditures for Community-Based Residency and Enhanced Training Programs	Expenditure Authority	Expenditures for outpatient community-based residency and enhanced training programs.	Expenditures to support rural health access through funding for outpatient community-based residency and enhanced team-based training programs. Graduate medical education (GME) - like payments for eligible Area Health Education Centers (AHECs), Teaching Health Centers Graduate Medical Education (THCGME) programs, and community-based residency program for services provided to a Medicaid recipient.
8. Expenditures for VBP Methodologies within Capitated Prepaid health plans	Expenditure Authority	Expenditure for capitation payments to incent managed care plans to engage in activities that promote performance targets and identify strategies for VBP models for provider reimbursement.	To enable North Carolina to incent capitated prepaid health plans to adopt VBP models for provider reimbursement.
9. Expenditures for Parents of Foster Care Children Who Would Otherwise be Medicaid Eligible Except for the Placement of Their Child(ren) into the Child Welfare System	Expenditure Authority	Expenditures for parents of foster care children who would otherwise be Medicaid eligible except for the placement of their children into the child welfare system.	To continue Medicaid eligibility for parents of children placed temporarily in foster care to address the comprehensive health care needs of the parents and increase the likelihood of successful reunification of the children with the family.

Public Notice Period and Comments

Stakeholders interested in reviewing the draft demonstration application, commenting on the draft application and receiving more information on the public notice period can visit the DHHS Medicaid Reform website at www.ncdhhs.gov/nc-medicaid-reform. A copy of the application is available at:

Division of Health Benefits
Department of Health and Human Services
101 Blair Drive
Raleigh, NC 27603

The draft demonstration application is available for review and public comment from March 7, 2016, through 11:59 p.m. April 18, 2016. Along with the regularly scheduled Medical Care Advisory Committee (MCAC) meeting where the public can learn more about the 1115 waiver, DHHS will hold 12 public hearings to seek input on the draft demonstration application. Those who cannot attend in person will have the opportunity to dial into the Charlotte South public hearing, and also may view the presentation and provide comments through the Medicaid Reform website. Date, time and location of the public hearings for the demonstration are posted on the DHHS Medicaid Reform website at www.ncdhhs.gov/nc-medicaid-reform.

The following table lists the public hearing schedule as of March 7, 2016:

Geographic Area	Location	Date	Start Time	End Time
Raleigh	McKimmon Center	3/30/2016	6:00 PM	8:00 PM
Charlotte (South)[1]	Union County Dept. of Social Services	3/31/2016	2:00 PM	4:00 PM
Charlotte (North)	CPCC Merancas Campus	3/31/2016	6:30 PM	8:30 PM
Western NC	*To be determined*			
Western NC - Boone	Holiday Inn Express	4/6/2016	12:00 PM	2:00 PM
Western NC - Asheville	Asheville-Buncombe Tech Community College	4/6/2016	6:30 PM	8:30 PM
Greensboro	Guilford County Health & Human Services	4/7/2016	6:30 PM	8:30 PM
Winston-Salem	Forsyth County Department of Public Health	4/8/2016	2:00 PM	4:00 PM
Wilmington	UNC-Wilmington	4/13/2016	6:00 PM	8:00 PM
Greenville	*To be determined*			
Elizabeth City	College of Albemarle	4/16/2016	10:00 AM	12:00 PM
Lumberton	UNC-Pembroke	4/18/2016	3:30 PM	5:30 PM
[1]This hearing will also provide dial-in access for those who cannot participate in person.				

This schedule is subject to change. The most current schedule is available on the DHHS Medicaid Reform website at www.ncdhhs.gov/nc-medicaid-reform.

In addition to providing comments through the Medicaid Reform website or during a public hearing, written comments may be emailed, sent by postal mail or delivered in person:

Email: MedicaidReform@dhhs.nc.gov

Postal Mail
Division of Health Benefits
North Carolina Department of
Health and Human Services
2501 Mail Service Center
Raleigh, NC 27699-2501

Delivered in Person
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101 Blair Drive
Raleigh, NC 27603