HOUSE BILL 372:
Medicaid Transformation and Reorganization

2015-2016 General Assembly

Committee: **Date:**
Introduced by: **Prepared by:** Jennifer Hillman
Analysis of: S.L. 2015-245 Staff Attorney

SUMMARY: S.L. 2015-245 requires transformation of the Medicaid and Health Choice programs in the following ways:

- ***Requires transition of the current Medicaid and NC Health Choice service delivery system to capitated contracts with Prepaid Health Plans (PHPs).***
- ***Creates a new Division of Health Benefits (DHB) within the Department of Health and Human Services (DHHS) to plan and implement transformation of the programs.***
- ***Creates a new Joint Legislative Oversight Committee on Medicaid and NC Health Choice (Medicaid Oversight Committee) to oversee the programs and the transformation process and outlines specific dates for DHHS to report to the Committee.***

Key components of the transition to capitated contracts with PHPs include the following:

- ***The entities eligible for a PHP contract are provider-led entities (PLEs) and commercial plans (CPs). Both PLEs and CPs must meet solvency criteria developed by the Department of Insurance to be eligible for a capitated PHP contract.***
- ***PHPs will receive capitated per-member per-month payments to provide all covered services for their enrolled beneficiaries.***
- ***Geographical coverage of PHPs will include statewide and regional plans. Statewide contracts will be awarded to 3 PHPs, and up to 10 regional contracts may be awarded to PLEs in 6 regions, which will be defined by the new Division of Health Benefits and will cover the entire State.***
- ***Populations covered by the PHPs will include all Medicaid and Health Choice beneficiaries, except beneficiaries who are dually eligible for Medicare and Medicaid.***
- ***Services covered by the PHPs will include all services, except for dental services, and except that local management entities/managed care organizations (LME/MCO) services will be provided through existing arrangements during the first 4 years of capitated PHP contracts. The primary care case management function provided by Community Care of North Carolina (CCNC) will transition to PHPs.***
- ***The timeline for implementation requires that capitated payments under PHP contracts will begin 18 months after approval of the plan by the federal government, with submission of documents to the federal government required by June 1, 2016.***

The new law pertaining to the appointment process and term of office for the Director of the Division of Health Benefits becomes effective January 1, 2021. The effective date of the new law requiring a

cooling-off period for certain DHHS employees is November 1, 2015. The remainder of this act became effective September 23, 2015.

CURRENT LAW: Part 1 pertains to the **Transformation of the Medicaid and NC Health Choice Programs**, and **Part 2** pertains to the **Reorganization of the Medicaid and NC Health Choice Programs**. The various sections of the act have been outlined below.

Medicaid Transformation - Part 1 of the act addresses the plan for Medicaid and NC Health Choice transformation.

Section 1 outlines the intent and goals of the transformation. **Section 2** outlines the Role of the General Assembly in the transformation. **Section 3** provides a timeline for the transformation. **Section 4** outlines the structure of the transformed delivery system. **Section 4(1)** authorizes the Department of Health and Human Services (DHHS) to manage the Medicaid and Health Choice programs within their budgets. **Section 4(2)** defines Prepaid Health Plans (PHPs) to include provider-led entities (PLEs) and commercial plans (CPs). **Section 4(3)** requires the Division of Health Benefits (DHB) to enter into capitated contracts with PHPs. **Section 4(4)** directs that PHP contracts must cover all Medicaid and NC Health Choice services except for dental services, and except that behavioral services provided by local management entities/managed care organizations (LME/MCOs) will be excluded from the capitated PHP contracts during the first 4 years after capitated contracts begin. **Section 4(5)** directs that capitated PHP contracts must cover all Medicaid and NC Health Choice beneficiaries except for dual eligibles. **Section 4(6)** establishes the number and nature of capitated PHP contracts. **Section 4(6a)** directs that PHPs must comply with the requirements of Chapter 58 of the General Statutes. **Section 4(7)** requires the new delivery system to be built on defined measures and goals for risk-adjusted health outcomes, quality of care, patient satisfaction, access, and cost. **Section 4(8)** directs that PHPs will be responsible for all administrative functions for their enrollees. **Section 4(9)** provides that LME/MCOs will continue to manage the behavioral health services currently covered for their enrollees under all existing waivers until 4 years after capitated PHP contracts begin. **Section 5** outlines DHB's role in Medicaid and NC Health Choice transformation. **Section 5(1)** directs DHB to submit necessary waivers for federal approval. **Section 5(2)** directs DHB to define regions in which provider-led entities may operate. **Section 5(3)** directs DHB to overseeing PHP contract performance. **Section 5(4)** directs DHB to ensure the sustainability of the programs. **Section 5(5)** directs DHB to set rates, including capitation rates, rate floors for in-network physicians and pharmacy dispensing fees, and fee-for-service rates. **Section 5(6)** directs DHB to enter into capitated PHP contracts that control cost growth, control drug spending, set a medical loss ratio, ensure access to care through provider networks, and assure that all enrollees choose or are assigned a primary care provider. **Section 5(7)** directs DHB to consult with the Medicaid Oversight Committee on the terms and conditions of the request for proposals (RFP) with PHPs. **Section 5(8)** directs DHB to develop and implement a process for recipient assignment to PHPs. **Section 5(9)** directs DHB to define methods to ensure program integrity. **Section 5(10)** directs DHB to require all PHPs and Medicaid and NC Health Choice providers to submit data through the Health Information Exchange (HIE). **Section 5(11)** directs DHB to develop a Dual Eligibles Advisory Committee to plan for the eventual inclusion of dual eligibles under PHP contracts. **Section 5(12)** directs DHB to submit a detailed report by March 1, 2015 to the newly-created Medicaid Oversight Committee on DHB's plans and progress on Medicaid and NC Health Choice transformation. **Section 5(13)** directs DHB to designate essential Medicaid and NC Health Choice providers. **Section 6** outlines the role of the Department of Insurance in Medicaid and NC Health Choice transformation. **Section 7** requires DHHS to take certain actions with regard to the primary care case management program with North Carolina Community Cares Networks, Inc. (NCCCN). **Section 8** directs DHHS to submit a program design and

budget proposal no later than May 1, 2016 to the Medicaid Oversight Committee to create a Transformation and Innovations Center to facilitate transformation efforts. **Section 9** requires DHB to working with the Centers for Medicare and Medicaid Services to preserve existing funding streams, such as assessments, with a goal of ensuring that funding streams are more closely aligned to improving health outcomes and achieving Medicaid goals.

Medicaid Reorganization - Part 2 of the act addresses the reorganization of DHHS and the governance of the Medicaid and NC Health Choice programs.

Section 10 creates a new Division of Health Benefits (DHB) within DHHS to implement Medicaid and NC Health Choice transformation and to operate the transformed programs. This section directs that the Division of Medical Assistance (DMA) will continue to operate the current programs. **Section 11** eliminates DMA and its remaining employees twelve months after capitated PHP contracts begin or at an earlier time as determined by the Secretary of DHHS. **Section 12(a)** amends the law pertaining to health and human services in the Executive Budget Act (Article 3, Chapter 143B) to create the new DHB (Part 36). **Section 12(b)** creates a new statute, effective January 1, 2021, requiring that the Director of DHB be appointed by the Governor for a term of 4 years, subject to confirmation by the General Assembly. **Section 13** gives DHB statutory powers and duties, including the authority to administer and operate the Medicaid and NC Health Choice programs within their budgets. Other duties include annual reporting to the Medicaid Oversight Committee on budget and forecasting, and monthly publication of certain program data. **Section 14(a)** creates a statutory 6-month cooling-off period for certain DHHS employees involved with awarding or monitoring a contract with a vendor who are later employed by that vendor. **Section 14(b)** makes the effective date of the cooling-off requirement November 1, 2015. **Section 15** establishes a Joint Legislative Oversight Committee on Medicaid and NC Health Choice (Medicaid Oversight Committee) consisting of 14 members charged with examining the budgeting, financing, administrative, and operational issues related to Medicaid and NC Health Choice Programs. **Sections 16 and 17** make conforming changes for the newly-created Medicaid Oversight Committee to amend G.S. 120-208.1(a)(2)b removing oversight of the Medicaid and NC Health Choice programs from the purview of the Joint Legislative Oversight Committee on Health and Human Services and transferring oversight of the programs to the Medicaid Oversight Committee. Both committees have concurrent jurisdiction over issues related to mental health, developmental disabilities, and substance abuse services. **Section 18** amends G.S. 108A-54.1A to provide that DHHS is authorized and required to take any and all necessary action to amend the Medicaid State Plan and waivers in order to keep the program within the certified budget. **Section 19** repeals G.S. 108A-54.2(d), which imposed limitations on DHHS's ability to change medical policy unless directed by the General Assembly. **Section 20** amends G.S. 126-5 to exempt employees of DHB from all but Article 6 (Equal Employment and Compensation Opportunity, Assisting in Obtaining State Employment) and Article 7 (Privacy of State Employee Personnel Records) of the State Human Resources Act. DMA employees hired on or after October 1, 2015 are subject to the same exemption. **Section 21** directs DMA to transfer to DHB the funds appropriated in the budget for Medicaid transformation and directs DHB to use the funds to implement this act. **Section 22** repeals Section 12H.25 of S.L. 2015-241, which would have required elimination of the primary care case management program on March 1, 2016 if the Medicaid transformation plan had not been ratified by the General Assembly by that date.

EFFECTIVE DATE: Except as otherwise provided in the summary, this act became effective September 23, 2015.

BACKGROUND: A Fiscal Brief prepared by the Fiscal Research Division regarding this act can be accessed at http://www.ncleg.net/fiscalresearch/fiscal_briefs/fiscal_briefs.html#hhs.