



# SENATE BILL 838: Medicaid Transformation Modifications.

2016-2017 General Assembly

**Committee:** Senate Health Care  
**Introduced by:** Sen. Hise  
**Analysis of:** PCS to First Edition  
S838-CSTR-8

**Date:** May 17, 2016  
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**SUMMARY:** *The PCS to Senate bill 838 would require additional reporting on the status of Medicaid transformation planning and implementation and would make modifications proposed by the Department of Health and Human Services (DHHS) to the 2015 Medicaid Transformation session law.*

**CURRENT LAW:** S.L. 2015-245, An Act to Transform and Reorganize North Carolina’s Medicaid and NC Health Choice Programs, became law on September 23, 2015, and provided a legislative framework for the transformation of North Carolina's Medicaid program to provide budget predictability for the taxpayers of the State while ensuring quality care to those in need. S.L. 2015-245 requires transition of the current Medicaid and NC Health Choice programs to capitated contracts with Prepaid Health Plans (PHPs) under an 1115 waiver approved by the Centers for Medicare and Medicaid Services (CMS). S.L. 2015-245 also created the Division of Health Benefits (DHB) within the Department of Health and Human Services (DHHS) to plan for and implement for transformation established by the General Assembly.

**BILL ANALYSIS:** **Section 1** of the PCS would require DHHS to submit a report to the Joint Legislative Oversight Committee on Medicaid and NC Health Choice (Medicaid Oversight Committee) by October 1, 2016 containing an update on the status of the 1115 waiver submission and responses received from CMS, a detailed Work Plan identifying key milestones, tasks, and events necessary to the transition of the programs, and a description of any other changes relevant to successful implementation of the Medicaid and NC Health Choice transformation. The language in this section was recommended by the Medicaid Oversight Committee in its April 2016 report.

**Section 2** of the PCS makes changes proposed by DHHS in its March 1, 2016 report to the Medicaid Oversight Committee. Throughout Section 2, the PCS strikes references that DHHS must act "through the DHB" in conducting activities related to Medicaid transformation. Certain references to the DHB alone are replaced with references to DHHS, clarifying that authority and responsibility in those instances are at the Department level.

**Section 2(b)** amends subdivisions (4), (5), and (6) of Section 4 of S.L. 2015-245 to add certain services to the list of services excluded from PHP coverage, add populations to the list of populations excluded from PHP coverage, and increase the maximum number of provider-led entities (PLEs) allowed to enter into a regional PHP contract from 10 to 12. **Section 2(f)** clarifies that, until the procedures for appointing the Director of the Division of Health Benefits in G.S. 143B-216.85 become effective in 2021, DHHS has authority to hire the Director of the Division of Health Benefits. **Sections 2(g) and 2(h)** codify language that was uncodified in S.L. 2015-245 and move language that was previously codified in G.S. 108A-54(g) to G.S. 143B-216.80. **Section 2(i)** clarifies the definition of “administration

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of a contract” and “former employee of the Department” in G.S. 143B-139.6C, which was enacted as part of S.L. 2015-245 and imposes a cooling-off period for certain Department employees.

**EFFECTIVE DATE:** The bill is effective when it becomes law.

**BACKGROUND:** As required by S.L. 2015-245, DHHS, through the DHB, submitted a report to the Medicaid Oversight Committee on March 1, 2016 that described its proposed statutory changes necessary to implement the Medicaid transformation plan. In its April 2016 report, the Medicaid Oversight Committee recommended that the General Assembly consider the legislative changes proposed in DHHS's report and further requested in a special provision to the 2016 Governor's Budget. A copy of the report is available at: [http://www.ncleg.net/documentsites/committees/BCCI-6660/Final%20LOC%20Reports%20to%20the%20GA/Medicaid%20Oversight%20Committee%20Report%20April%202016\\_FINAL.pdf](http://www.ncleg.net/documentsites/committees/BCCI-6660/Final%20LOC%20Reports%20to%20the%20GA/Medicaid%20Oversight%20Committee%20Report%20April%202016_FINAL.pdf)