SENATE BILL 838:
Medicaid Transformation Modifications.

2015-2016 General Assembly

Committee:		**Date:**	August 2, 2016
Introduced by:		**Prepared by:**	Jennifer Hillman
Analysis of:	S.L. 2016-121		Staff Attorney

OVERVIEW: S.L. 2016-121 requires the Department of Health and Human Services to provide additional reporting on the status of Medicaid transformation planning and implementation and modifies certain provisions of the 2015 Medicaid transformation legislation.

This act has various effective dates. Please see the full summary for more detail.

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 transformation established by the General Assembly.

BILL ANALYSIS: Section 1 of the act 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 to the General Assembly.

Throughout **Section 2**, the act 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 (2), (4), (5), and (6) of Section 4 of S.L. 2015-245 to modify the definition of a provider-led entity (PLE), to add certain services to the list of services excluded from PHP coverage, to add populations to the list of populations excluded from PHP coverage, and to increase the maximum number of PLEs allowed to enter into a regional PHP contract from 10 to 12. **Section 2(e1)** adds a new Section 9A to S.L. 2015-245 authorizing DHHS to seek approval from CMS through the 1115 waiver to allow parents to retain Medicaid eligibility while their child is being served temporarily by the foster care program and expressing the General Assembly's intent to expand eligibility to cover this population if coverage under the waiver is approved by CMS. **Section 2(f)** clarifies that, until the procedures for appointing the Director of the DHB in G.S. 143B-216.85 become effective in 2021, DHHS has authority to hire the Director of the DHB. **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 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. **Section 2(j)** states that DHHS is authorized to establish, maintain, or adjust all Medicaid program components except for eligibility categories and income thresholds, within the budget set for the Medicaid program, notwithstanding any reductions to the Division of Medical Assistance that were required by the 2015 budget. If DHHS intends to maintain any program components pursuant to this section, then by September 26, 2016, DHHS must seek certification from the Office of State Budget and Management (OSBM) that there are sufficient recurring funds to maintain the program component. OSBM must respond to the request within 30 days after it is received. If OSBM does not certify the sufficiency of recurring funds, then DHHS must implement the reduction required by the 2015 budget.

EFFECTIVE DATE: Section 2(j) of the act is effective July 28, 2016. The remainder of the act is retroactively effective June 1, 2016.

BACKGROUND: As required by S.L. 2015-245, DHHS 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. The changes proposed by DHHS appear throughout Section 2 of the act.