



**SENATE BILL 99:
Appropriations Act of 2018, Sec. 11F.10:
Establish Ranges for LME/MCO Solvency**

2017-2018 General Assembly

Committee:		Date:	July 26, 2018
Introduced by:		Prepared by:	Jennifer Hillman Staff Attorney
Analysis of:	Sec. 11F.10 of S.L. 2018-5		

OVERVIEW: *Sec. 11F.10 of S.L. 2018-5 amends Chapter 122C of the General Statutes to create a new section G.S. 122C-125.2 establishing solvency ranges applicable to each local management entity/managed care organization (LME/MCO), beginning September 1, 2018. The solvency range is determined by a formula based on: (i) the LME/MCO's ability to pay current liabilities, including incurred but not reported claims; (ii) amounts required to cover catastrophic or extraordinary events that the LME/MCO may experience; (iii) intergovernmental transfers that the LME/MCO is required to make; (iv) projected operating losses for the LME/MCO during the subsequent 24 months; and (v) qualifying expenditures in the LME/MCO's reinvestment plan. On a quarterly basis, the Department of Health and Human Services (DHHS) must compare the cash balance, including cash and investment balances and amounts in the Medicaid Risk Reserve account, of each LME/MCO against the LME/MCO's calculated solvency range and notify the LME/MCO and the General Assembly's Fiscal Research Division of the results. An LME/MCO with a cash balance that is more than 5% above or below the calculated solvency range will be subject to a corrective action plan developed by DHHS in collaboration with the LME/MCO to bring the LME/MCO into the calculated solvency range.*

This section also makes conforming changes to other laws pertaining to LME/MCO solvency, including changes to G.S. 122C-124.2. As amended, G.S. 122C-124.2 allows the Secretary of DHHS to assign the contract of an LME/MCO that is not in compliance with a corrective action plan required by the new solvency statute to an LME/MCO that is in compliance with the requirements of the new solvency statute.

The changes to G.S. 122C-124.2 are effective September 1, 2018. The remainder of this section became effective July 1, 2018.

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