



SENATE BILL 527: Modify Laws Applicable to LME/MCOs.

2025-2026 General Assembly

Committee:	Senate Health Care. If favorable, re-refer to Rules and Operations of the Senate	Date:	April 17, 2025
Introduced by:	Sen. Burgin	Prepared by:	Jennifer Hillman
Analysis of:	Amendment to First Edition S527-ATR-6		Staff Attorney

OVERVIEW: *The amendment to Senate Bill 527 would do all of the following:*

- *Exempt local management entity/managed care organization (LME/MCO) employees, other than senior management, from the compensation-related provisions of the State Human Resources Act.*
- *Define LME/MCO senior management as the area director, chief executive officer, chief financial officer, chief operating officer, chief compliance officer, chief information security officer, and chief risk officer, or substantially equivalent positions.*
- *Remove the requirement for counties to approve salary plans for LME/MCO employees, including senior management, when the salary plan for the employee exceeds the highest paying salary plan for a county within the LME/MCO's catchment area.*
- *Remove the requirement that LME/MCOs operating Medicaid behavioral health and intellectual/developmental disabilities tailored plan (Tailored Plan) contracts must contract with a prepaid health plan operating a standard benefit plan contract.*

CURRENT LAW: Employees of LME/MCOs are generally covered under the State Human Resources Act in Chapter 126 of the General Statutes; however, under G.S. 122C-154, these employees may be paid a salary that is in excess of the salary ranges established by the State Human Resources Commission if the salary is supported by documentation of comparable salaries in comparable operations within the region where the LME/MCO operates and if the salary receives prior approval from the Director of the Office of State Human Resources (OSHR). Under G.S. 122C-156, the salary plan for these employees must be in compliance with the State Human Resources Act statutes and cannot exceed the highest paying salary plan of any county in the LME/MCO's catchment area without the agreement of all of the counties in the catchment area.

BILL ANALYSIS: **Section 1** would amend the statutes pertaining to LME/MCO employees to define "area authority senior management" as the area director and key personnel designated in contracts between the LME/MCOs and the Department of Health and Human Services in the following roles, or substantially equivalent positions: chief executive officer, chief financial officer, chief operating officer, chief compliance officer, chief information security officer, and chief risk officer. Salaries of senior management would continue to be subject to the same oversight by OSHR that is required under current law; however, under Section 1, counties would no longer approve salary plans for any LME/MCO employees, including senior management, when the salary plan for the employee exceeds the highest

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paying salary plan for a county within the LME/MCO's catchment area. The changes to salary plan requirements would apply to salary plans beginning on July 1, 2025.

Section 2 would exempt all LME/MCO employees except for senior management from requirements of the State Human Resources Act with respect to all of the following: (i) the classification and compensation rules established by the State Human Resources Commission; (ii) hours and days of work, vacation, and sick leave; (iii) promotion and transfer; (iv) the establishment of incentive pay programs.

Section 3 would amend G.S. 108D-60 to no longer require, but instead would allow, LME/MCOs operating Medicaid Tailored Plans to contract with a prepaid health plan operating a standard benefit plan contract.

EFFECTIVE DATE: The act would become effective when it becomes law.