GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013

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HOUSE BILL 1181
Committee Substitute Favorable 6/23/14
Committee Substitute #2 Favorable 7/2/14

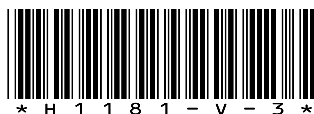
Short Title: North Carolina Medicaid Modernization. (Public)

Sponsors:

Referred to:

May 22, 2014

1 A BILL TO BE ENTITLED
2 AN ACT TO MODERNIZE AND STABILIZE NORTH CAROLINA'S MEDICAID
3 PROGRAM THROUGH PROVIDER-LED CAPITATED HEALTH PLANS.
4 The General Assembly of North Carolina enacts:
5 **SECTION 1.** Intent and Goals. – It is the intent of the General Assembly to
6 transform the State's Medicaid program from a traditional fee-for-service system into a system
7 that provides budget predictability for the taxpayers of this State while ensuring quality care to
8 those in need. The new Medicaid program shall be designed to achieve the following goals:
9 (1) Provide budget predictability.
10 (2) Slow the rate of cost growth.
11 (3) Achieve cost-savings through efficient reductions in programmatic costs.
12 (4) Create more efficient administrative structures.
13 (5) Improve health outcomes for the State's Medicaid population.
14 (6) Require provider accountability for budget and program outcomes.
15 **SECTION 2.** Building Blocks. – The principal building blocks of the Medicaid
16 transformation directed by Section 1 of this act shall be as follows:
17 (1) A delivery system that builds upon the State's primary care medical home
18 model, as primary care providers serve an integral role in improving the
19 health of Medicaid beneficiaries.
20 (2) Provider-led capitated health plans to manage and coordinate the care for the
21 majority of the Medicaid population by July 1, 2020, subject to the
22 following:
23 a. The plans shall begin with limited risk but shall assume greater
24 amounts of risk over time to transition into fully capitated health
25 plans that receive a capitated payment for the delivery of medical
26 services, providing services for enrolled beneficiaries at an
27 established cost.
28 b. When the capitated plans are fully implemented, the State shall
29 maintain only the risk of enrollment numbers and enrollment mix for
30 the capitated populations.
31 c. Plan coverage areas shall be based on the primary care case
32 management regions used by Community Care of North Carolina
33 (CCNC).



d. The provider-led capitated health plans authorized by this act may work in collaboration with the LME/MCOs created in S.L. 2011-264 (HB 916) to serve the Medicaid population.

(3) Mechanisms to encourage personal accountability for Medicaid beneficiaries' participation in their own health outcomes.

(4) Strong performance measures and metrics to hold providers accountable for quality.

SECTION 3. DHHS to Lead. – The Department of Health and Human Services, Division of Medical Assistance, shall begin the statewide restructuring of the State Medicaid Program by transitioning the traditional fee-for-service system into a system of provider-led capitated health plans. The new system shall meet the goals listed in Section 1 of this act and shall include the building blocks listed in Section 2 of this act.

SECTION 4. Development of Detailed Plan. – The Department of Health and Human Services, Division of Medical Assistance, shall develop with stakeholder input a detailed plan for Medicaid transformation that meets the goals listed in Section 1 of this act and includes the building blocks listed in Section 2 of this act. The plan shall provide for systematic, phased-in implementation of changes to the State's Medicaid system and shall include the following:

(1) Proposed time frames for implementing system transformation on a phased-in basis and the recommended effective date for full implementation of all recommended changes.

(2) An estimate of the amount of State and federal funds necessary to implement the changes. The estimate should indicate costs of each phase of implementation and the total cost of full implementation.

(3) An estimate of the amount of long-term savings in State funds expected from the changes. The estimate should show savings expected in each phase of implementation and the total amount of savings expected from full implementation.

(4) Proposed legislation making the necessary amendments to the General Statutes to enact the recommended changes to the system of governance, structure, and financing.

(5) Mechanisms for measuring the State's progress toward increased performance on the following:

a. Budget predictability.

b. Access to services.

c. Consumer-focused outcomes and accountability.

d. Promotion of evidence-based best practices.

e. Quality management systems.

f. System efficiency and effectiveness.

SECTION 5. Report of Detailed Plan. – By March 1, 2015, the Department of Health and Human Services, Division of Medical Assistance, shall report to the General Assembly the Division's strategic plan for the Medicaid transformation required under Section 4 of this act. If a detailed plan cannot reasonably be completed by March 1, 2015, the Division shall (i) inform the report recipients by February 1 that the March 1 report will be a progress report and (ii) provide by March 1 an update on the progress toward completing a plan and report on the portions of the plan that have been completed. Such a report or update shall be submitted to the House Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division.

SECTION 6. Semiannual Report. – Beginning September 1, 2015, and every six months thereafter until a final report on September 1, 2020, the Secretary shall report to the

1 Joint Legislative Oversight Committee on Health and Human Services on the State's progress
2 toward completing Medicaid transformation.
3 **SECTION 7.** Maintain Funding Mechanisms. – In developing its detailed plan
4 under Section 4 of this act, the Department of Health and Human Services, Division of Medical
5 Assistance, shall work with the Centers for Medicare & Medicaid Services (CMS) to preserve
6 existing Medicaid-specific funding streams, such as assessments, as they currently exist. If such
7 Medicaid-specific funding cannot be maintained as currently implemented, then the Division
8 shall advise the General Assembly of the modifications necessary to maintain as much revenue
9 as possible within the context of Medicaid transformation. If such Medicaid-specific funding
10 streams cannot be preserved through the transformation process or if revenue would decrease,
11 then the Division shall include that information in the cost estimates for Medicaid
12 transformation. Additionally, such funding streams should be modified so that any
13 supplemental payments to providers are more closely aligned to improving health outcomes
14 and achieving overall Medicaid goals.
15 **SECTION 8.** Waivers and SPAs. – The Department of Health and Human Services
16 shall apply to the Centers for Medicare & Medicaid Services (CMS) for any waivers, including
17 Section 1115 waivers, or State plan amendments as may be necessary to implement and secure
18 federal financial participation in the Medicaid transformation required by this act.
19 **SECTION 9.** General Assembly Commitment. – The General Assembly
20 recognizes and hereby commits to allowing the time and providing the funding necessary to
21 implement the Medicaid transformation required by this act.
22 **SECTION 10.** Integrated Care Study. – As part of the transformation of the
23 Medicaid System, the Division of Medical Assistance (DMA) and the Division of Mental
24 Health, Developmental Disabilities, and Substance Abuse Services (DMH/DD/SA) of the
25 Department of Health and Human Services shall examine issues related to the development of a
26 demonstration pilot to test the feasibility of a single payment to an entity that would cover the
27 full array of Medicaid services for Medicaid recipients with intellectual and developmental
28 disabilities (I/DD) currently enrolled under the 1915(c) North Carolina Innovations Waiver. As
29 part of their study, the Divisions shall study the benefits of and any challenges to such a
30 demonstration pilot. The Divisions (i) shall conduct their study in conjunction with the North
31 Carolina Council for Developmental Disabilities and the NC Center for Excellence for
32 Integrated Care and (ii) shall consult with local management entities that have been approved to
33 operate as managed care organizations (LME/MCOs), I/DD provider organizations, I/DD
34 advocacy organizations, the North Carolina Hospital Association, the North Carolina Medical
35 Society, the North Carolina Providers Council, Benchmarks, and self-advocates currently
36 working with the Divisions. DMA shall also consult with CMS about the possibility of
37 establishing such a demonstration pilot. The Divisions shall submit the results of their
38 collaborative study to the Joint Legislative Oversight Committee on Health and Human
39 Services prior to the convening of the 2015 General Assembly.
40 **SECTION 11.** This act is effective when it becomes law.