



- 1 (4) Use managed care strategies, including care coordination and utilization  
2 management, to reduce the trend of escalating costs in the State Medicaid  
3 program while ensuring medically necessary care and deploy a system for  
4 the allocation of resources based on the reliable assessment of intensity of  
5 need. The Department shall design these strategies to efficiently direct  
6 consumers to appropriate services and to ensure that consumers receive no  
7 more and no less than the amount of services determined to be medically  
8 necessary and at the appropriate funding level.
- 9 (5) As the 1915(b)/(c) Medicaid Waiver expands statewide, phase out the  
10 current CAP-MR/DD Waiver as well as the utilization management  
11 functions currently performed by public and private contractors.
- 12 (6) Design the Innovations Waiver in such a way as to serve the maximum  
13 number of individuals with intellectual and developmental disabilities within  
14 aggregate funding.
- 15 (7) Require LMEs approved to operate a 1915(b)/(c) Medicaid Waiver to do all  
16 of the following:
- 17 a. Maintain a local presence in order to respond to the unique needs and  
18 priorities of localities.
- 19 b. Implement a process for feedback and exchange of information and  
20 ideas to ensure communication with consumers, families, providers,  
21 and stakeholders regarding disability-specific and general Waiver  
22 operations.
- 23 c. Establish and maintain systems for ongoing communication and  
24 coordination regarding the care of individuals with mental illness,  
25 intellectual and developmental disabilities, and substance abuse  
26 disorders with other organized systems such as local departments of  
27 social services, Community Care of North Carolina, hospitals, school  
28 systems, the Department of Juvenile Justice, and other community  
29 agencies.
- 30 d. Comply with the following operational requirements:
- 31 1. Maintain disability specific infrastructure and competency to  
32 address the clinical, treatment, rehabilitative, habilitative, and  
33 support needs of all disabilities covered by the 1915(b)/(c)  
34 Medicaid Waiver.
- 35 2. Maintain administrative and clinical functions, including  
36 requirements for customer service, quality management, due  
37 process, provider network development, information systems,  
38 financial reporting, and staffing.
- 39 3. Maintain full accountability for all aspects of Waiver  
40 operations and for meeting all contract requirements specified  
41 by the Department. The Department shall not require LMEs  
42 to subcontract any managed care functions or nonservice  
43 activities to other entities. However, LMEs that choose to  
44 subcontract managed care functions to other entities will be  
45 limited to the following:
- 46 I. Information systems.
- 47 II. Customer service (including call center) operations.
- 48 III. Claims processing.
- 49 IV. Provider, enrollment, credentialing, and monitoring.
- 50 V. Professional services.
- 51 VI. Treatment Plan development.

## VII. Referral to services.

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2           **SECTION 1.(b)** By August 1, 2011, the Department shall select LMEs that have  
3 been assessed to meet minimum criteria for Waiver operations according to the requirements of  
4 RFA #2011-261 issued on April 1, 2011.

5           **SECTION 1.(c)** The Department shall require LMEs that have not been approved  
6 by the Department to operate a 1915(b)/(c) Medicaid Waiver by January 1, 2013, to merge with  
7 or be aligned through an interlocal agreement with an LME that has been approved by the  
8 Department to operate a 1915(b)/(c) Medicaid Waiver. If any LME fails to comply with this  
9 requirement, the Department shall assign responsibility for management of the 1915(b)/(c)  
10 Medicaid Waiver on behalf of the noncompliant LME to an LME that is successfully operating  
11 the Waiver and successfully meeting performance requirements of the contract with the  
12 Department. Those LMEs approved to operate the 1915(b)/(c) Medicaid Waiver under an  
13 interlocal agreement must have a single LME entity designated as responsible for all aspects of  
14 Waiver operations and solely responsible for meeting contract requirements.

15           **SECTION 1.(d)** County governments are not financially liable for overspending or  
16 cost overruns associated with an area authority's operation of a 1915(b)/(c) Medicaid Waiver.  
17 County governments are not financially liable for overspending or cost overruns of Medicaid  
18 services associated with a county program or multicounty program's operation of a 1915(b)/(c)  
19 Medicaid Waiver beyond the county program or multicounty program's Medicaid risk reserve  
20 and Medicaid fund balance amounts.

21           **SECTION 1.(e)** Providers of targeted case management under the CAP-MR/DD  
22 Waiver are qualified to provide the 1915(c) service known as Community Guide under the  
23 Innovations Waiver. During the first year of assuming responsibility for Waiver operations,  
24 LMEs shall offer to contract with providers that were previously approved to provide targeted  
25 case management to individuals with intellectual and developmental disabilities under the  
26 CAP-MR/DD Waiver, for the provision of Community Guide services.

27           **SECTION 1.(f)** By December 31, 2011, the Department shall determine the  
28 feasibility of adding habilitation services to the State Medicaid Plan through the 1915(i) Option  
29 as a strategy to address the needs of Medicaid enrollees with IDD who are not enrolled in the  
30 Innovations Waiver and are not residing in an intermediate care facility for the mentally  
31 retarded (ICF-MR facility).

32           **SECTION 1.(g)** The Department shall consider the impact on ICF-MR facilities  
33 included in the 1915(b)/(c) Medicaid Waiver to determine and, to the extent possible, minimize  
34 potential inconsistencies with the requirements of G.S. 131E-176 and G.S. 131E-178 without  
35 negatively impacting the viability and success of the 1915(b)/(c) Medicaid Waiver programs.

36           **SECTION 1.(h)** The Department shall discontinue the pilot program to administer  
37 the Supports Intensity Scale to people with intellectual and developmental disabilities in  
38 non-Waiver LMEs.

39           **SECTION 1.(i)** The Department shall establish written policies ensuring alignment  
40 of objectives and operational coordination of the 1915(b)/(c) Medicaid Waiver and the care of  
41 individuals with mental illness, intellectual and developmental disabilities, and substance abuse  
42 disorders with other organized systems under the auspices of the Department, including  
43 Community Care of North Carolina.

44           **SECTION 1.(j)** In the development of the budget for the 2013-2015 fiscal  
45 biennium and subsequent biennia, the General Assembly shall consider a reinvestment of at  
46 least fifteen percent (15%) of the total projected State savings for that biennium from the  
47 operation of the 1915(b)/(c) Waiver, for the purpose of expanding the number of consumers  
48 served by the Innovations 1915(c) Medicaid Waiver, or for the purpose of expanding other  
49 services that are designed to meet the needs of individuals with intellectual and developmental  
50 disabilities.

1           **SECTION 1.(k)** By October 1, 2011, the Department, in coordination with the  
2 Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, the  
3 Division of Medical Assistance, LMEs, and PBH, shall submit to the appropriate Oversight  
4 Committee of the General Assembly a strategic plan delineating specific strategies and agency  
5 responsibilities for the achievement of the objectives and deadlines set forth in this Act.

6           **SECTION 1.(l)** The Department shall submit status reports to the General  
7 Assembly on the restructuring and expansion authorized in this section on January 1, 2012,  
8 April 1, 2012, October 1, 2012, February 1, 2013, and October 1, 2013.

9           **SECTION 2.** G.S. 122C-115(a) reads as rewritten:

10          "(a) A county shall provide mental health, developmental disabilities, and substance  
11 abuse services through an area authority or through a county program established pursuant to  
12 G.S. 122C-115.1. ~~The catchment area of an area authority or a county program shall contain~~  
13 ~~either a minimum population of at least 200,000 or a minimum of six counties. Beginning July~~  
14 ~~1, 2012, the catchment area of an area authority or a county program shall contain a minimum~~  
15 ~~population of at least 300,000. Beginning July 1, 2013, the catchment area of an area authority~~  
16 ~~or a county program shall contain a minimum population of at least 500,000.~~ To the extent this  
17 section conflicts with G.S. 153A-77(a), the provisions of G.S. 153A-77(a) control.

18          (a1) ~~Effective July 1, 2007, the Department of Health and Human Services shall reduce~~  
19 ~~by ten percent (10%) annually the administrative funding for LMEs that do not comply with the~~  
20 ~~catchment area requirements of subsection (a) of this section. However, an LME that does not~~  
21 ~~comply with the catchment area requirements because of a change in county membership shall~~  
22 ~~have 12 months from the effective date of the change to comply with subsection (a) of this~~  
23 ~~section.~~ Effective July 1, 2012, the Department shall reduce the administrative funding for  
24 LMEs that do not comply with the minimum population requirement of 300,000 to a rate  
25 consistent with the funding rate provided to LMEs with a population of 300,000.

26          (a2) Effective July 1, 2013, the Department shall reassign management responsibilities  
27 for Medicaid funds and State funds away from LMEs that are not in compliance with the  
28 minimum population requirement of 500,000 to LMEs that are fully compliant with all  
29 catchment area requirements, including the minimum population requirements specified in this  
30 section.

31          (b) Counties shall and cities may appropriate funds for the support of programs that  
32 serve the catchment area, whether the programs are physically located within a single county or  
33 whether any facility housing a program is owned and operated by the city or county. Counties  
34 and cities may make appropriations for the purposes of this Chapter and may allocate for these  
35 purposes other revenues not restricted by law, and counties may fund them by levy of property  
36 taxes pursuant to G.S. 153A-149(c)(22).

37          (c) Except as authorized in G.S. 122C-115.1, within a catchment area designated in the  
38 business plan pursuant to G.S. 122C-115.2, a board of county commissioners or two or more  
39 boards of county commissioners jointly shall establish an area authority with the approval of  
40 the Secretary.

41          (d) Except as otherwise provided in this subsection, counties shall not reduce county  
42 appropriations and expenditures for current operations and ongoing programs and services of  
43 area authorities or county programs because of the availability of State-allocated funds, fees,  
44 capitation amounts, or fund balance to the area authority or county program. Counties may  
45 reduce county appropriations by the amount previously appropriated by the county for  
46 one-time, nonrecurring special needs of the area authority or county program."

47           **SECTION 3.** G.S. 122C-115.3(a) reads as rewritten:

48          "(a) Whenever the board of commissioners of each county constituting an area authority  
49 determines that the area authority is not operating in the best interests of consumers, it may  
50 direct that the area authority be dissolved. In addition, whenever a board of commissioners of a  
51 county that is a member of an area authority determines that the area authority is not operating

1 in the best interests of consumers of that county, it may withdraw from the area authority. An  
2 area authority that does not meet the minimum population requirements specified in  
3 G.S. 122C-115 may dissolve at any time during a fiscal year. Dissolution of an area authority  
4 or withdrawal from the area authority by a county for other reasons shall be effective only at  
5 the end of the fiscal year in which the action of dissolution or withdrawal transpired."

6 **SECTION 4.** G.S. 150B-1(d) is amended by adding a new subdivision to read:

7 "(20) The Department of Health and Human Services in implementing, operating,  
8 or overseeing new 1915(b)/(c) Medicaid Waiver programs or amendments to  
9 existing 1915(b)/(c) Medicaid Waiver programs."

10 **SECTION 5.** This act is effective when it becomes law.