

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2013

H

D

HOUSE BILL 1181  
Committee Substitute Favorable 6/23/14  
PROPOSED COMMITTEE SUBSTITUTE H1181-PCS40277-TR-2

Short Title: North Carolina Medicaid Modernization.

(Public)

Sponsors:

Referred to:

May 22, 2014

A BILL TO BE ENTITLED

AN ACT TO MODERNIZE AND STABILIZE NORTH CAROLINA'S MEDICAID PROGRAM THROUGH PROVIDER-LED CAPITATED HEALTH PLANS.

The General Assembly of North Carolina enacts:

**SECTION 1.** Intent and Goals. – It is the intent of the General Assembly to transform the State's Medicaid program from a traditional fee-for-service system into a system that provides budget predictability for the taxpayers of this State while ensuring quality care to those in need. The new Medicaid program shall be designed to achieve the following goals:

- (1) Provide budget predictability.
- (2) Slow the rate of cost growth.
- (3) Achieve cost-savings through efficient reductions in programmatic costs.
- (4) Create more efficient administrative structures.
- (5) Improve health outcomes for the State's Medicaid population.
- (6) Require provider accountability for budget and program outcomes.

**SECTION 2.** Building Blocks. – The principal building blocks of the Medicaid transformation directed by Section 1 of this act shall be as follows:

- (1) A delivery system that builds upon the State's primary care medical home model, as primary care providers serve an integral role in improving the health of Medicaid beneficiaries.
- (2) Provider-led capitated health plans to manage and coordinate the care for the majority of the Medicaid population by July 1, 2020, subject to the following:
  - a. The plans shall begin with limited risk but shall assume greater amounts of risk over time to transition into fully capitated health plans that receive a capitated payment for the delivery of medical services, providing services for enrolled beneficiaries at an established cost.
  - b. When the capitated plans are fully implemented, the State shall maintain only the risk of enrollment numbers and enrollment mix for the capitated populations.
  - c. Plan coverage areas shall be based on the primary care case management regions used by Community Care of North Carolina (CCNC).



\* H 1 1 8 1 - P C S 4 0 2 7 7 - T R - 2 \*

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

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

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

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

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

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

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

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

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

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

34 a. Budget predictability.

35 b. Access to services.

36 c. Consumer-focused outcomes and accountability.

37 d. Promotion of evidence-based best practices.

38 e. Quality management systems.

39 f. System efficiency and effectiveness.

40 **SECTION 5.** Report of Detailed Plan. – By March 1, 2015, the Department of  
41 Health and Human Services, Division of Medical Assistance, shall report to the General  
42 Assembly the Division's strategic plan for the Medicaid transformation required under Section  
43 4 of this act. If a detailed plan cannot reasonably be completed by March 1, 2015, the Division  
44 shall (i) inform the report recipients by February 1 that the March 1 report will be a progress  
45 report and (ii) provide by March 1 an update on the progress toward completing a plan and  
46 report on the portions of the plan that have been completed. Such a report or update shall be  
47 submitted to the House Appropriations Subcommittee on Health and Human Services, the  
48 Senate Appropriations Committee on Health and Human Services, and the Fiscal Research  
49 Division.

50 **SECTION 6.** Semiannual Report. – Beginning September 1, 2015, and every six  
51 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.