N.C. Department of Health and Human Services

Medicaid Reform Plan

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March 27, 2014

Medicaid fundamentals

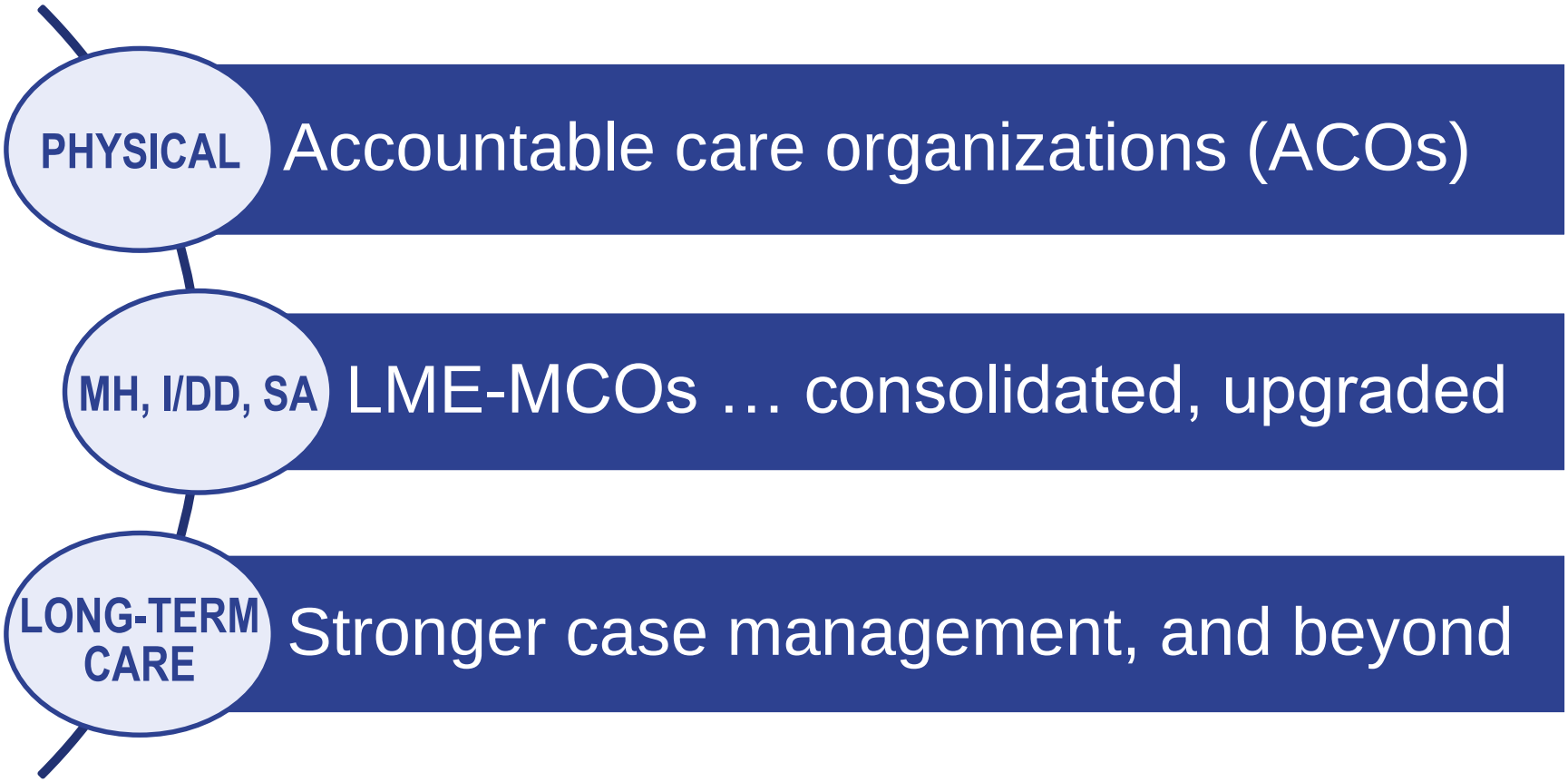
- 1.6 million average beneficiaries
  - Children, mothers, aged, disabled
- $13.8 billion total spending
  - $3.6 billion State contribution
    - Official federal match rate 66%
    - Supplemental payments raise effective federal match
- Most of entitlement specified by federal law
  - NC has added optional eligibility groups & benefits

Aims of Medicaid reform

BETTER VALUE FOR NC TAXPAYERS

- Strengthen Medicaid fiscally
  - Flatten cost growth trend
  - Make budget more predictable
- Improve beneficiaries' health outcomes
  - Address population-wide needs
  - Consider whole person in coordinating care
  - Reward quality explicitly

Multi-faceted reform tailored to NC



MH, I/DD, SA = Mental Health, Intellectual/Developmental Disability, Substance Abuse
LME-MCO = Local Management Entity – Managed Care Organizations

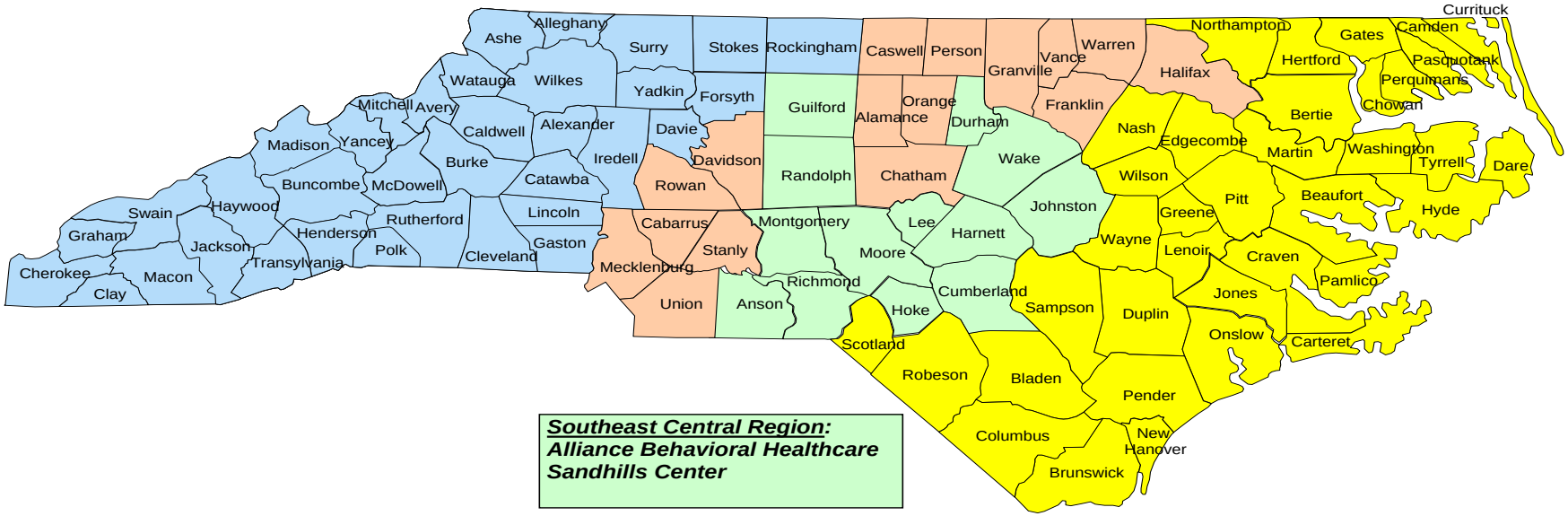
LME-MCO consolidation

Proposed Mergers of LME-MCOs

Western Region:
CenterPoint Human Services
Partners Behavioral Health Management
Smoky Mountain Center

Northwest Central Region:
Cardinal Innovations Healthcare Solutions
MeckLINK Behavioral Healthcare

Eastern Region:
CoastalCare
East Carolina Behavioral Health
Eastpointe



Southeast Central Region:
Alliance Behavioral Healthcare
Sandhills Center

LME-MCO improvements

- Contracting
  - Enhanced process and outcome measures
  - Penalties and incentives for performance
- Oversight
  - More sophisticated monitoring
  - Technical assistance
- Service array
  - Solutions for I/DD waiting list
  - Re-evaluate LME-MCO benefit package

LTSS* case management changes

- Engage beneficiaries earlier, before needs worsen and require more intensive, costly care
- Coordinate care better, with focus on transitions between settings of care
- Use local resource networks to fullest extent

+ Create strategic plan for LTSS delivery system, exploring options for redesign

*LTSS = Long-Term Services & Supports.
Reform as discussed here does not encompass services for individuals with intellectual or developmental disabilities currently covered under the Innovations Waiver.

Opportunities for whole-person care

- Provider-level accountability and control
- Flexibility in investment under ACOs
- Team-based primary care
- ACOs as neighborhoods of care

What are ACOs?

Accountable care organizations are integrated groups of health care providers who

(1) deliver coordinated care across health care settings

(2) agree to be held accountable for achieving

a) measured quality improvements and

b) reductions in the rate of spending growth.

Medicare, private payers, and a few state Medicaid programs have started using ACOs

NC has ~ 18 ACOs today, 12 accepted into Medicare

Is there a more potent alternative?

Full-risk managed care was considered

- Potentially, more budget predictability and savings

Conclusion: managed care not viable

- Unacceptable to NC health care providers
  - Reject intervention by commercial managed care companies
  - Providers not capable of forming own managed care entities
- Supplemental payments threatened w/o 1115 waiver
- Savings lessened by insurer industry tax under ACA

Providers aligned, with incentives

Today	After ACO
Providers fragmented	Providers linked in organized systems of care
Beneficiary may choose a PCP	Beneficiary selects a PCP, is assigned to that PCP's ACO
Fee-for-service payment – rewards volume & intensity	Providers rewarded for value delivered
CCNC coordinates primary care	CCNC helps State and/or ACOs manage utilization and quality

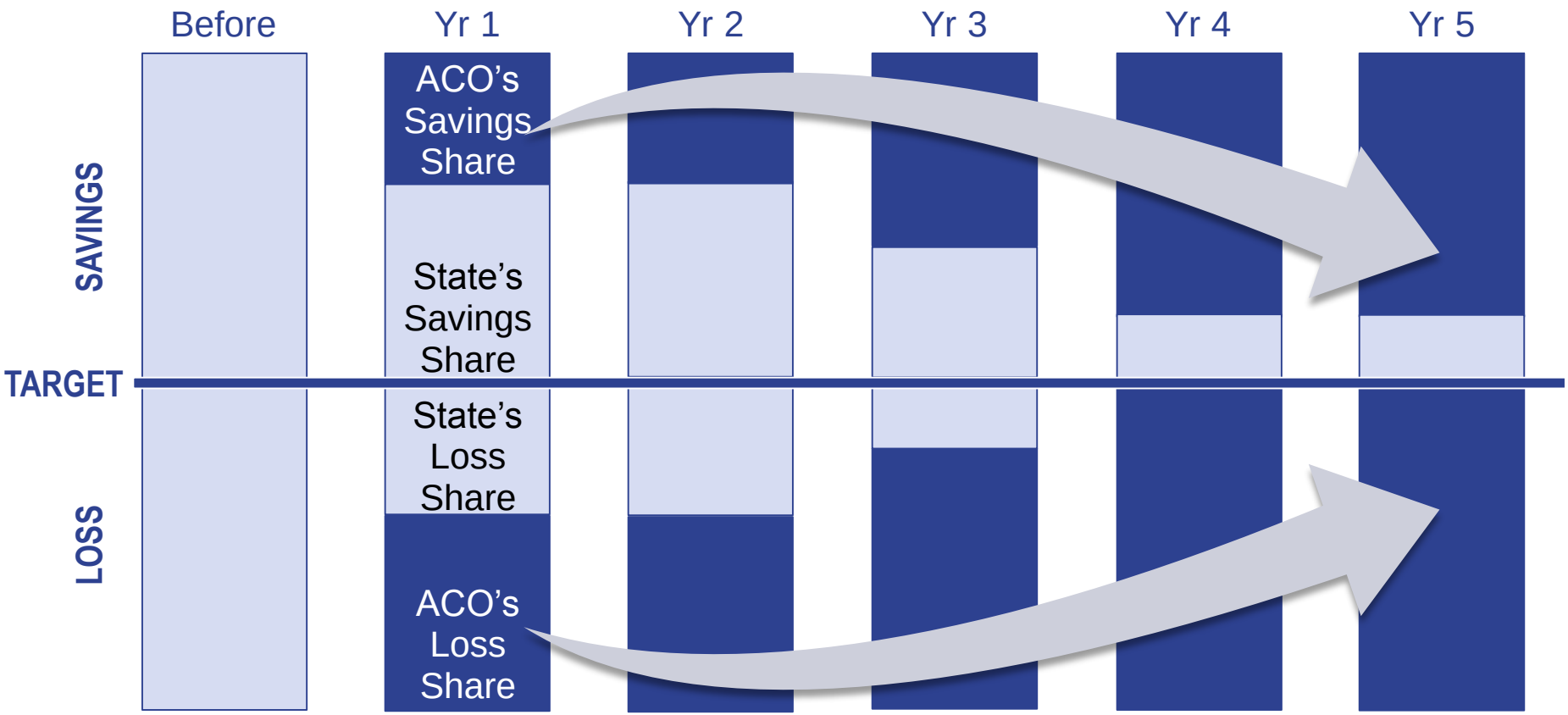
PCP = Primary Care Provider

Plan for ACOs in NC Medicaid

- Target start date for ACOs: July 2015
  - ACOs apply for contracts early 2015
  - Participation voluntary initially
- ACOs expected to meet yearly benchmarks
  - **Access**: More beneficiaries in ACOs each year
  - **Cost:** Growth trend reduced materially
  - **Quality:** Quality measures steadily improve

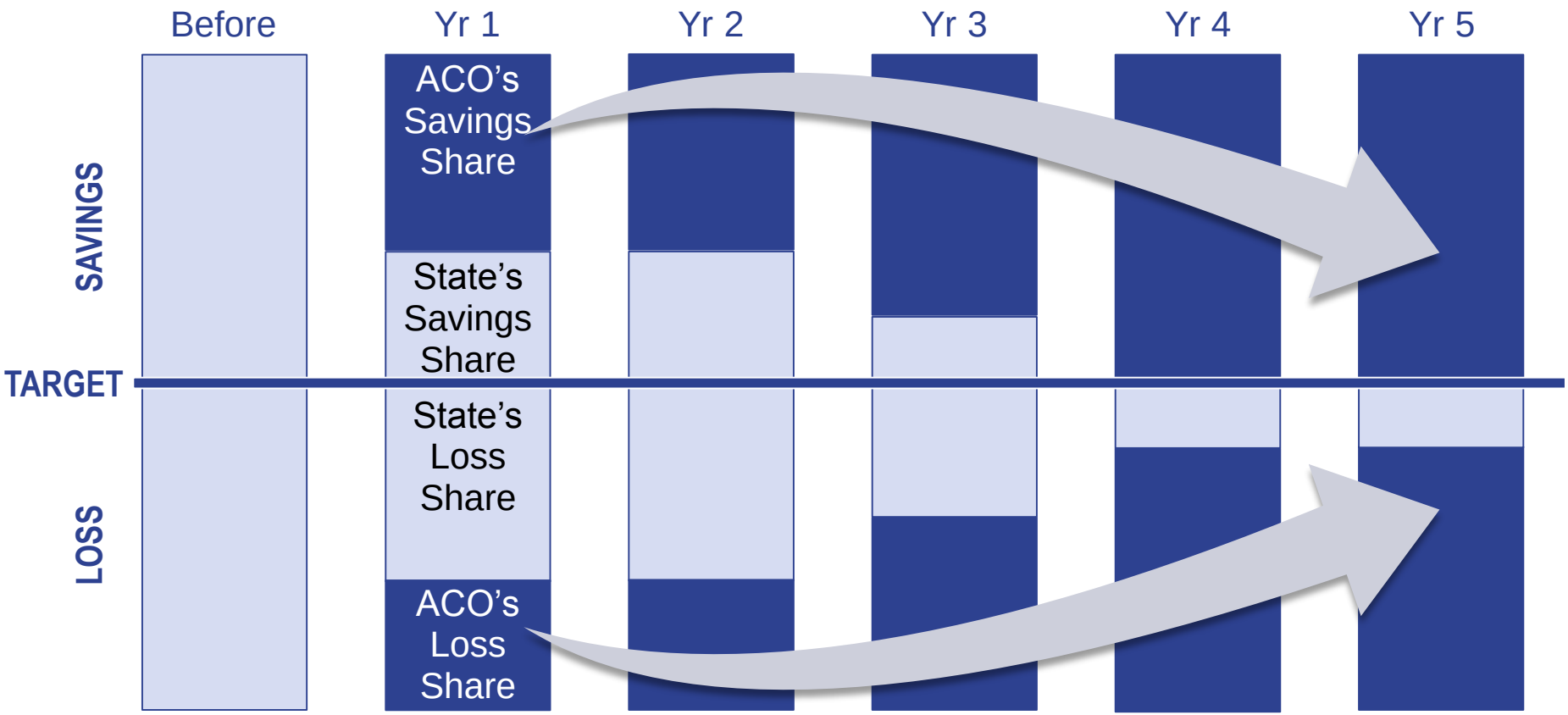
DHHS will take corrective action if annual benchmarks not met

ACOs' risk share rises (1 of 2)



Minimum Acceptable ACO Quality

ACOs' risk share rises (2 of 2)



Optimal ACO Quality

ACOs' risk of loss partly mitigated

- Services not controlled by ACO not factor in ACO risk
  - Mental health, substance abuse, I/DD (LME-MCO capitation)
  - Long-term services and supports
  - Dental
  - Portion of outpatient prescription drugs (Share with LME-MCOs)
- Protection against individual high-cost cases
  - 90% of costs above $50,000 for a beneficiary in one year
- Total ACO loss and reward capped at % of budget

	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
Max Award	15%	15%	15%	15%	15%
Max Payback	5%	7.5%	7.5%	7.5%	10%

Quality is factored into ACO rewards

Medicare Shared Savings Program Quality Measures a Reference Point

Domain	Examples
Patient/Caregiver Experience	• Patient rating of provider • Timely appointments, information • Access to specialists
Preventive Health	• Influenza immunization • BMI screening and follow-up • Screening for clinical depression
At-Risk Population	• Diabetes: Hemoglobin A1c control • Hypertension control • Coronary artery disease: lipid control
Care Coordination/ Patient Safety/ EHR	• Hospital readmissions • % of PCPs who qualify for EHR incentive payments

BMI = Body Mass Index EHR = Electronic Health Record

Reform improves sustainability

Yearly Savings By Program Area – Total and State Share

Program Area	Year 1 July 2015 - June 2016	Year 2 July 2016 - June 2017	Year 3 July 2017 - June 2018	Year 4 July 2018 - June 2019	Year 5 July 2019 - June 2020	Total, Years 1-5 July 2015 - June 2020
OVERALL MEDICAID SAVINGS						
Physical Health (ACO Model)	$20,078,062	$74,785,855	$136,021,499	$196,896,955	$209,111,721	$636,894,093
MH, I/DD, SA (LME MCO)	$0	$50,801,839	$62,854,575	$76,179,745	$80,788,619	$270,624,777
LTSS	-$5,250,000	$4,102,358	$14,586,352	$26,304,677	$39,368,313	$79,111,701
Total	**$14,828,062**	**$129,690,052**	**$213,462,426**	**$299,381,377**	**$329,268,653**	**$986,630,570**
STATE FUNDS SAVINGS						
Physical Health (ACO Model)	$6,003,971	$24,555,384	$45,320,390	$65,963,257	$70,105,284	$211,948,287
MH, I/DD, SA (LME MCO)	$0	$17,226,903	$21,313,986	$25,832,551	$27,395,421	$91,768,862
LTSS	-$2,625,000	$546,385	$4,101,507	$8,075,191	$12,505,070	$22,603,153
Total	**$3,378,971**	**$42,328,672**	**$70,735,884**	**$99,871,000**	**$110,005,775**	**$326,320,301**

Estimated $8 million startup funding needed in SFY 2014-15