Statewide Implementation of the (b)(c) Medicaid Waiver in NC

October 11, 2011

What is a (b) (c) Medicaid Waiver?

- A combination of two sections of the federal Social Security Act.

- **Section 1915(b)** is called the Managed Care/Freedom of Choice section.

This Section provides the US HHS Secretary authority to grant waivers that allow states to implement managed care delivery systems, or otherwise limit choice of providers under Medicaid.

- **Section 1915 (c)** defines a set of waivers called Home and Community-Based Services

This section provides the Secretary authority to waive Medicaid provisions in order to allow long-term care services to be delivered in community settings. This program is the Medicaid alternative to providing long-term services in institutional settings. In NC the CAP-MR/DD waiver (now called CAP-I/DD) is an example of this kind of waiver.

- States may opt to simultaneously utilize both sections to provide a continuum of services to a defined population (in NC, people with mental illness, developmental disabilities or substance abuse disorders)

- Within this combination, states may provide long-term care services using managed care tools while limiting the pool of providers according to a set of criteria which will include qualifications and access.

- States must abide by the sets of federal rules established for operation of these waivers

How will NC Implement the (b) (c) Waiver?

- North Carolina will employ the fundamental components of the model established in the successful, 6 year demonstration project operated by PBH (a local management entity {LME} formerly known as Piedmont Behavioral Health). NC elected to expand the waiver via a consolidation and merger of the current governmental network of LMEs rather than engaging in a contract with a private, for-profit managed care company. When the statewide implementation of the Waiver is complete it is projected that there will be 10-12 LMEs serving as managed care waiver organizations (MCOs) and managing services statewide.

- This will move the state from the current "fee-for-service" model to a managed care system. The (b) (c) Medicaid Waiver is a capitated model meaning that the LME/MCOs will be provided a pool of funds at the beginning of the year for the purpose of providing necessary services to all Medicaid eligible consumers. The LME/MCO are then "at risk" which means that they much achieve the agreed upon goals within the contract while functioning within their budget.

- The LME/MCOs will continue to manage the state-funded services as well as the Medicaid funded services.

Why is North Carolina expanding this Waiver statewide now?

- The Legislative Oversight Committee on MH-DD and SAS initially recommended statewide expansion in 2005. The expansion has been state policy since 2006. The Secretary has been moving ahead with the statewide implementation since then albeit slowly.

- Escalating Medicaid costs, the seriousness of the current budget environment, a series of cost overruns, questions regarding the lack of equity in the allocation of service dollars, long waiting lists, lack of consistency in operational requirements across LMEs and duplication of administrative costs led to the realization that the system, as currently managed is no longer sustainable.

- The DHHS, Divisions and LMEs do not now have the tools to effectively manage this complex statewide system in the face of the changing regulations and budget constraints. The NC Demonstration Project at PBH has demonstrated that the (b) (c) waiver provides those tools.

- Federal Health Care Reform changes scheduled for 2014 will bring thousands of additional citizens onto the NC Medicaid rolls. A well managed system in place by 2014 will allow for accurate budget projections and service preparation, accountability and equitable distribution of service dollars.

Dr. Pat Porter, 10-11-2011
Patriciap@ncleg.net