



N.C. Department of Health  
and Human Services

# Shared Savings Plan

**Sandra Terrell**

**Acting Medicaid Director**

**March 26, 2014**



## Timeline and Deliverables

Dec. 31, 2013	Publish Public Notice for 3% rate reduction <b>(completed)</b>
Jan. 1, 2014	Implement 3% reduction in rates in NC Tracks with exception of physicians <b>(completed)</b>
March 1	Report on Shared Savings Methodology to JLOC <b>(completed)</b>
March 31	Submit SPA for 3% reduction in rates to federal government <b>(on time)</b>
June 30	Publish Public Notice for Shared Savings
July 1	Shared Savings Plan Implemented
Sept. 30	Submit SPA for Shared Savings to federal government
Jan. 1, 2015	Payments to providers for Shared Savings Plan



## **S.L. 2013-360, Section 12H.18.(b)**

During the 2013-2015 fiscal biennium, the Department of Health and Human Services shall withhold three percent (3%) of payments for the following services rendered to Medicaid and NC Health Choice recipients on or after January 1, 2014:

- |                        |  |
|------------------------|--|
| (1) Inpatient hospital | (2) Physician, excluding primary care until 1/1/15 |
| (3) Dental             | (4) Optical services and supplies                  |
| (5) Podiatry           | (6) Chiropractors                                  |
| (7) Hearing aids       | (8) Personal care services                         |
| (9) Nursing homes      | (10) Adult care homes                              |
| (11) Dispensing drugs  |  |

**Funds from payments withheld under this section that are budgeted to be shared with providers shall not revert to the General Fund.**



## Money Report Item 61

### SFY 2014 (\$26,924,941) R

- “Establishes a 3% withhold on selective services effective January 1, 2014.
- “In FY 2013-14 the State share of the amount withheld will be \$14.7 million. This represents a total impact of \$41.9 million in provider payments, including both the State and federal shares.”

### SFY 2015 (\$44,710,352) R

- “In FY 2014-15 the State share of the withhold will be \$30.6 million, providers will be eligible for shared savings that are projected to total \$8.9 million and the impact of the shared savings plan on expenditures is projected to be \$15.1 million.”

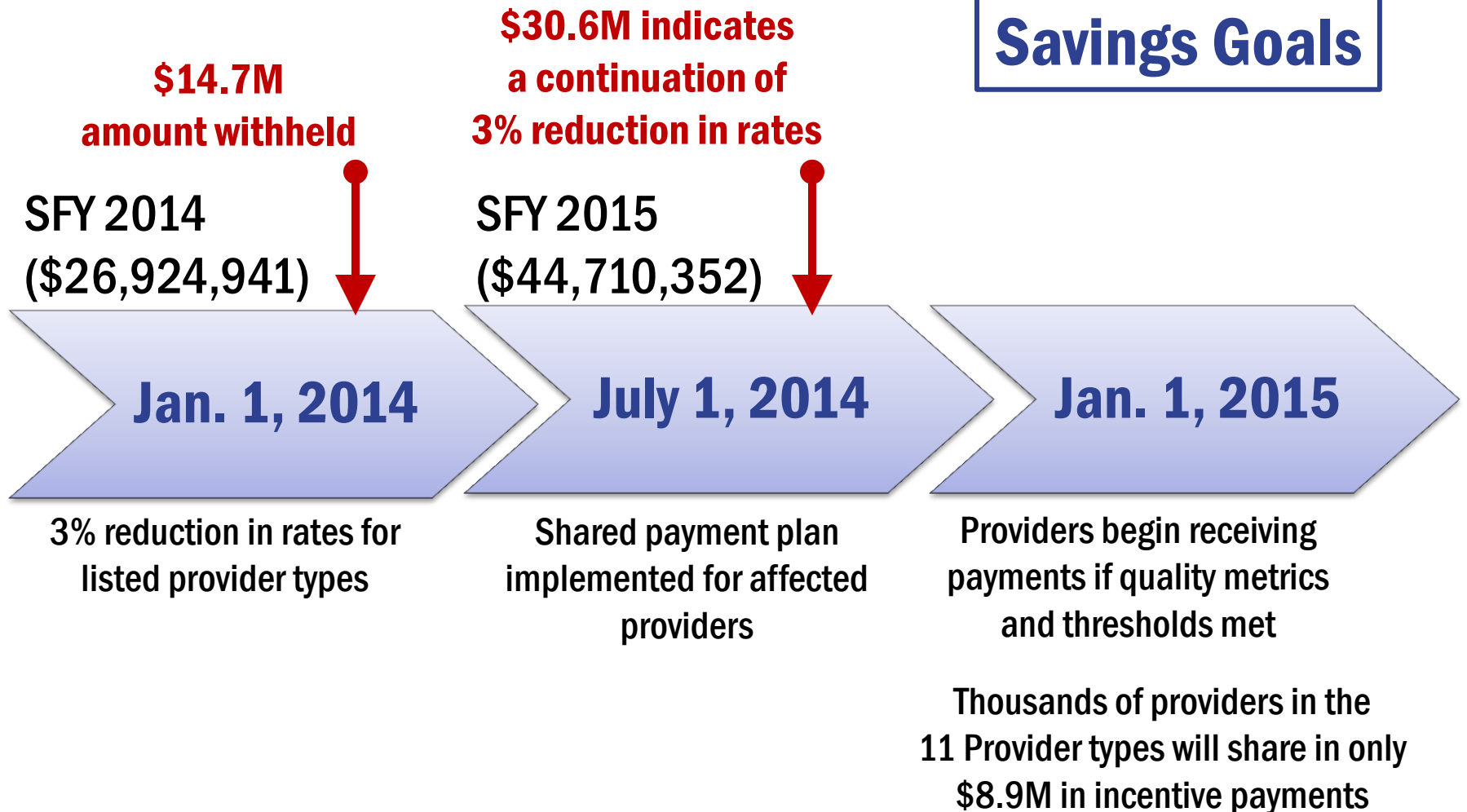


## Budget Bill v. Money Report

- Money Report Item 61 states that the amount withheld in SFY 2014 is \$14.7 million.
  - Additional savings beyond \$14.7 million is assumed to result from changes in provider behavior.
- In SFY 2015, Money Report states that only \$8.9 million is available for shared savings payments across 11 provider types and tens of thousands of providers.
  - Additional savings beyond the \$30.6 million is assumed to result from changes in provider behavior.
- Providers are supposed to achieve savings and change behavior to reduce inefficiencies to receive only a fraction of the amount they have been cut.



## Savings Goals





## Savings Goals

**\$14.7M**

**amount withheld**

SFY 2014  
(\$26,924,941)



**Jan. 1, 2014**

**July 1, 2014**

**Jan. 1, 2015**

3% reduction in rates for  
listed provider types

*Does a rate cut change provider behavior?*

*How does DHHS realize difference?*



## Savings Goals

**\$14.7M**

**amount withheld**

SFY 2014  
(\$26,924,941)



**Jan. 1, 2014**

**July 1, 2014**

**Jan. 1, 2015**

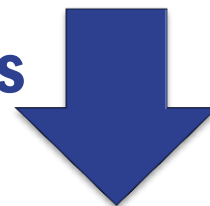
3% reduction in rates for  
listed provider types

**Possible Unintended  
Consequences**

**Utilization**



**Access**







## Savings Goals

**\$30.6M indicates  
a continuation of  
3% reduction in rates**

**SFY 2015  
(\$44,710,352)**



**Jan. 1, 2014**

**July 1, 2014**

**Jan. 1, 2015**

**Shared payment plan  
implemented for affected  
providers**



## Savings Goals

**\$30.6M indicates  
a continuation of  
3% reduction in rates**

SFY 2015  
(\$44,710,352)



Jan. 1, 2014

**July 1, 2014**

Jan. 1, 2015

Shared payment plan  
implemented for affected  
providers

*Authority to create a reserve?*



## Savings Goals

**\$30.6M indicates  
a continuation of  
3% reduction in rates**

SFY 2015  
(\$44,710,352)



**Jan. 1, 2014**

**July 1, 2014**

**Jan. 1, 2015**

Shared payment plan  
implemented for affected  
providers

*Will \$8.9M incent thousands of  
providers at the practice level?*



## Savings Goals

Thousands of providers in the 11 Provider types will share in only \$8.9M in incentive payments



**Jan. 1, 2014**

**July 1, 2014**

Shared payment plan  
implemented for affected  
providers

**Jan. 1, 2015**

Providers begin receiving  
payments if quality metrics  
and thresholds met

*Insufficient incentives may cause  
lack of participation*



## Implementation Challenges

- The federal government instructed states not to view Shared Savings as a rate cut only but must improve quality and access through improved outcomes (State Medicaid Directors Letter 13-005). For SFY 2014, the shared savings plan is only a rate cut.
- Requires 11 provider types requiring specific evidence based criteria and incentives
- Incentives may not be sufficient to induce provider participation (SFY 15 Money Report \$8.9M available to share among thousands of providers included in the 11 provider types)
- Considerable investments will be required for implementation



# Summary

- There are serious challenges to implementation
  - Lack of funding mechanisms for the Department
  - SFY 15 budgeted amounts may not be sufficient to incent providers
  - Lack of resources needed for program implementation
- Difficulty implementing a shared savings program within a care delivery system focused on the whole person when reform efforts are focused at the individual practice level
- Shared Savings poses a competing priority to DMA in light of upcoming reform implementation
- Complexity and investment are significant to yield changes in provider behavior to improve outcomes and health of Medicaid recipients