



Pat McCrory  
*Governor*

Richard O. Brajer  
*Secretary*

August 1, 2016

**SENT VIA ELECTRONIC MAIL**

The Honorable Marilyn Avila, Co-Chair  
House Appropriations Subcommittee on  
Health and Human Services  
North Carolina General Assembly  
Room 2217, Legislative Building  
Raleigh, NC 27601-1096

The Honorable William Brisson, Co-Chair  
House Appropriations Subcommittee on  
Health and Human Services  
North Carolina General Assembly  
Room 405, Legislative Office Building  
Raleigh, NC 27603-5925

The Honorable Josh Dobson, Co-Chair  
House Appropriations Subcommittee on  
Health and Human Services  
North Carolina General Assembly  
Room 301N, Legislative Office Building  
Raleigh, NC 27603-5925

The Honorable Chris Malone, Co-Chair  
House Appropriations Subcommittee on  
Health and Human Services  
North Carolina General Assembly  
Room 603, Legislative Office Building  
Raleigh, NC 27603-5925

Dear Chairmen:

Section 122C-124.2(a) of the North Carolina General Statutes requires the Secretary of Health and Human Services to certify whether each local management entity/managed care organization (LME/MCO) approved to operate the 1915(b)/(c) Medicaid Waiver is in compliance with the requirements of G.S. § 122C-124.2(b). Those certifications shall be made every six months, beginning August 1, 2013, and be based on an appropriate internal and external assessment.

Based upon (1) an internal review by an intradepartmental monitoring team comprised of individuals from the Division of Medical Assistance and the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, and (2) an external review by the Carolinas Center for Medical Excellence contractor HMS thereby certifies that the following LME/MCOs are in compliance with the requirements of N.C.G.S § 122C-124.2(b):

Alliance, Cardinal Innovations, CenterPoint, Eastpointe, Partners Behavioral Health Management, Sandhills, Smoky Mountain Center, and Trillium Health Resources.





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The metrics below only speak to financial measures. As always, the Department strives to evaluate the variability in the quality, range of services and degree of motivation across LME/MCOs and the impact on consumers on an ongoing basis.

A summary of the certification is attached for your review. Please feel free to contact me with any questions.

Sincerely,

A handwritten signature in black ink, appearing to be 'RO Brajer', with a long horizontal line extending to the right.

Richard O. Brajer  
Secretary





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*Governor*

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*Secretary*

August 1, 2016

**SENT VIA ELECTRONIC MAIL**

The Honorable Ralph Hise, Co-Chair  
Senate Appropriations Subcommittee on  
Health and Human Services  
North Carolina General Assembly  
Room 1026, Legislative Building  
Raleigh, NC 27601-2808

The Honorable Louis Pate, Co-Chair  
Senate Appropriations Subcommittee on  
Health and Human Services  
North Carolina General Assembly  
Room 1028, Legislative Building  
Raleigh, NC 27601-2808

The Honorable Tommy Tucker, Co-Chair  
Senate Appropriations Subcommittee on  
Health and Human Services  
North Carolina General Assembly  
Room 1127, Legislative Building  
Raleigh, NC 27601-2808

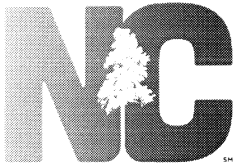
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Health and  
Human Services

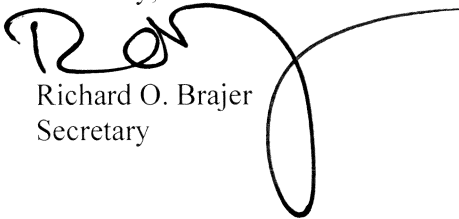
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Sincerely,



Richard O. Brajer  
Secretary



State of North Carolina : Department of Health and Human Services  
601 Blue Drive, Adams Building : 2001 Mail Service Center : Raleigh, NC 27699-2001  
919.855.4800 T | 919.715.4645 F



Pat McCrory  
*Governor*

Richard O. Brajer  
*Secretary*

August 1, 2016

**SENT VIA ELECTRONIC MAIL**

The Honorable Louis Pate, Co-Chair  
Joint Legislative Oversight Committee on  
Health and Human Services  
North Carolina General Assembly  
Room 1028, Legislative Office Building  
Raleigh, NC 27601-2808

The Honorable Josh Dobson, Co-Chair  
Joint Legislative Oversight Committee on  
Health and Human Services  
North Carolina General Assembly  
Room 301N, Legislative Office Building  
Raleigh, NC 27603-5925

The Honorable Marilyn Avilla, Co-Chair  
Joint Legislative Oversight Committee on  
Health and Human Services  
North Carolina General Assembly  
Room 2217, Legislative Building  
Raleigh, NC 27601

Dear Chairmen:

Section 122C-124.2(a) of the North Carolina General Statutes requires the Secretary of Health and Human Services to certify whether each local management entity/managed care organization (LME/MCO) approved to operate the 1915(b)/(c) Medicaid Waiver is in compliance with the requirements of G.S. § 122C-124.2(b). Those certifications shall be made every six months, beginning August 1, 2013, and be based on an appropriate internal and external assessment.

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Sincerely,

A handwritten signature in black ink, appearing to be 'ROB', with a long, sweeping horizontal line extending to the right.

Richard O. Brajer  
Secretary





Pat McCrory  
*Governor*

Richard O. Brajer  
*Secretary*

August 1, 2016

**SENT VIA ELECTRONIC MAIL**

Mr. Mark Trogdon, Director  
Fiscal Research Division  
Suite 619, Legislative Office Building  
Raleigh, NC 27603-5925

Dear Director Trogdon:

Section 122C-124.2(a) of the North Carolina General Statutes requires the Secretary of Health and Human Services to certify whether each local management entity/managed care organization (LME/MCO) approved to operate the 1915(b)/(c) Medicaid Waiver is in compliance with the requirements of G.S. § 122C-124.2(b). Those certifications shall be made every six months, beginning August 1, 2013, and be based on an appropriate internal and external assessment.

Based upon (1) an internal review by an intradepartmental monitoring team comprised of individuals from the Division of Medical Assistance and the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, and (2) an external review by the Carolinas Center for Medical Excellence contractor HMS thereby certifies that the following LME/MCOs are in compliance with the requirements of N.C.G.S § 122C-124.2(b):

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Sincerely,

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Richard O. Brajer  
Secretary





Richard O. Brajer  
*Secretary*

Dave Richard  
*Deputy Secretary for Medical Assistance*

August 1, 2016

Secretary Rick Brajer  
North Carolina Department of Health and Human Services  
101 Blair Drive  
Raleigh, NC 27699

Dear Secretary Brajer:

Pursuant to Session Law 2013-85, the Secretary of the Department of Health and Human Services shall complete a certification of compliance, in accordance with G.S. 122C-124.2(a), for each local management entity/managed care organization that has been approved by the Department to operate the 1915(b)(c) Medicaid Waiver. The Secretary shall also provide a copy of the completed certification to the Senate Appropriations Committee on Health and Human Services, the House Appropriations Subcommittee on Health and Human Services, the Legislative Oversight Committee on Health and Human Services, and the Fiscal Research Division by no later than August 1, 2016.

Attached hereto, please find a summary report of the findings for fiscal solvency, clean claims payment, and HIPAA compliance for the following LME/MCOs: Alliance, Cardinal Innovations, CenterPoint, Eastpointe, Partners, Sandhills, Smoky Mountain, and Trillium.

At this time, based on the attached records, the Division of Medical Assistance (DMA) attests that all eight organizations are appropriate for certification. Additionally, the Intradepartmental Monitoring Team (which team includes staff members from DMA and DHHS' Division of Mental Health, Developmental Disabilities and Substance Abuse Services) determines that all eight LME-MCOs have made adequate provisions against the risk of insolvency based on quarterly financial reports submitted to DHHS.

Though each of the LME-MCOs is compliant with the S.L. 2013-85, we believe it is important to revisit the purpose of the law and recommend suggested changes to the General Assembly. When the law was originally passed, there was concern that the LME-MCO system was fragile and questions over the ability for the new system to meet solvency standards. Over the past two years, we have seen clear evidence that each of the LME/MCOs have significant resources to meet the financial requirements of managed care organizations.

In 2016, there is a legitimate concern regarding the need to identify the right level of financial reserve or savings considering the organizations' role as public entities who are guaranteed a pre-paid capitation for the services they manage. We recommend that DHHS, in conjunction with our stakeholders, review the intent of the original legislation and make recommendations to the General Assembly for consideration in the 2017 long session.

Sincerely,

A handwritten signature in black ink, appearing to read 'Dave Richard', with a long, sweeping horizontal line extending to the right.

Dave Richard

[www.ncdhhs.gov](http://www.ncdhhs.gov)

Tel 919-855-4100 • Fax 919-733-6608

Location: 1985 Umstead Drive • Kirby Building • Raleigh, NC 27603

Mailing Address: 2501 Mail Service Center • Raleigh, NC 27699-2501

An Equal Opportunity / Affirmative Action Employer





Claims Accuracy and Timeliness Review: Summary Findings						
Audit Type	Timeliness of Provider Payment (Within 30 days)		Claims Processing Accuracy		Financial Accuracy	
LME-MCO	Result	Finding	Result	Finding	Result	Finding
Alliance	99.97%	Compliant	99.99%	Compliant	99.99%	Compliant
Cardinal Innovations	99.29%	Compliant	99.98%	Compliant	99.97%	Compliant
CenterPoint	99.88%	Compliant	100.00%	Compliant	100.00%	Compliant
Eastpointe	99.61%	Compliant	99.93%	Compliant	99.95%	Compliant
Partners Behavioral Healthcare	100.00%	Compliant	100.00%	Compliant	100.00%	Compliant
Sandhills Center	99.83%	Compliant	100.00%	Compliant	100.00%	Compliant
Smoky Mountain Center	99.96%	Compliant	100.00%	Compliant	100.00%	Compliant
Trillium Health Resources	99.98%	Compliant	100.00%	Compliant	99.99%	Compliant

Data is based on a statistical sample of Medicaid claims processed between September 1, 2015 to February 29, 2016 for each LME-MCO.

Solvency Review: Summary Findings (Current Ratio > 1.0 is Compliant) for North Carolina LME/MCOs												
Month	August		September		October		November		December		January	
LME-MCO	Result	Compliant	Result	Compliant	Result	Compliant	Result	Compliant	Result	Compliant	Result	Compliant
Alliance	3.10	Yes	3.40	Yes	3.56	Yes	3.37	Yes	3.64	Yes	3.56	Yes
Cardinal Innovations	2.33	Yes	2.83	Yes	2.87	Yes	2.97	Yes	3.13	Yes	3.07	Yes
CenterPoint	4.86	Yes	6.05	Yes	6.65	Yes	6.59	Yes	5.60	Yes	5.83	Yes
Eastpointe	2.59	Yes	3.11	Yes	2.84	Yes	2.84	Yes	3.24	Yes	3.13	Yes
Partners Behavioral Healthcare	5.50	Yes	6.75	Yes	6.34	Yes	5.47	Yes	5.82	Yes	6.07	Yes
Sandhills Center	5.57	Yes	6.11	Yes	9.13	Yes	9.31	Yes	8.44	Yes	8.33	Yes
Smoky Mountain Center	3.08	Yes	3.61	Yes	3.21	Yes	2.91	Yes	2.85	Yes	2.89	Yes
Trillium Health Resources	4.50	Yes	4.60	Yes	3.97	Yes	4.25	Yes	3.83	Yes	4.08	Yes

Data is based on financial information combined for State and Medicaid funds between August 1, 2015 to January 31, 2016 for each LME-MCO.

**Solvency Review: Total Expenses to Total Medicaid Revenue Summary Findings**

Month	August		September		October		November		December		January	
LME-MCO	Result	Compliant	Result	Compliant	Result	Compliant	Result	Compliant	Result	Compliant	Result	Compliant
Alliance	96%	Yes	90%	Yes	79%	Yes	92%	Yes	85%	Yes	94%	Yes
Cardinal Innovations	80%	Yes	94%	Yes	85%	Yes	92%	Yes	94%	Yes	91%	Yes
CenterPoint	98%	Yes	80%	Yes	98%	Yes	96%	Yes	99%	Yes	88%	Yes
Eastpointe	92%	Yes	84%	Yes	94%	Yes	89%	Yes	74%	Yes	96%	Yes
Partners Behavioral Healthcare	96%	Yes	86%	Yes	83%	Yes	82%	Yes	88%	Yes	94%	Yes
Sandhills Center	99%	Yes	87%	Yes	124%	No	85%	Yes	92%	Yes	89%	Yes
Smoky Mountain Center	97%	Yes	89%	Yes	98%	Yes	94%	Yes	95%	Yes	95%	Yes
Trillium Health Resources	78%	Yes	103%	No	139%	No	93%	Yes	86%	Yes	100%	Yes

Data is based on financial information combined for State and Medicaid funds between August 1, 2015 to January 31, 2016 for each LME-MCO.

**Solvency Review: Defensive Interval Summary Findings**

Month	August		September		October		November		December		January	
LME-MCO	Result	Compliant	Result	Compliant	Result	Compliant	Result	Compliant	Result	Compliant	Result	Compliant
Alliance	83.56	Yes	77.70	Yes	95.87	Yes	87.76	Yes	100.94	Yes	93.94	Yes
Cardinal Innovations	63.92	Yes	69.81	Yes	78.87	Yes	82.62	Yes	78.58	Yes	90.19	Yes
CenterPoint	152.43	Yes	126.56	Yes	158.33	Yes	140.11	Yes	149.73	Yes	162.58	Yes
Eastpointe	97.96	Yes	97.13	Yes	87.13	Yes	94.20	Yes	115.80	Yes	85.32	Yes
Partners Behavioral Healthcare	128.38	Yes	141.17	Yes	152.12	Yes	141.12	Yes	151.23	Yes	144.04	Yes
Sandhills Center	167.78	Yes	150.63	Yes	123.14	Yes	181.34	Yes	177.92	Yes	189.49	Yes
Smoky Mountain Center	82.15	Yes	80.14	Yes	82.99	Yes	87.88	Yes	92.30	Yes	93.42	Yes
Trillium Health Resources	106.07	Yes	128.02	Yes	88.77	Yes	130.74	Yes	122.82	Yes	126.39	Yes

Data is based on financial information combined for State and Medicaid funds between August 1, 2015 to January 31, 2016 for each LME-MCO.

<b>HIPAA Transaction Review: Summary Findings</b>					
Audit Type	Enrollment (820)	Health Care Claim Transaction Set (837i and 837p)	Health Care Claim Payment / Advice Transaction Set (835)	Benefit Enrollment and Maintenance Set (834)	Health Care Eligibility / Benefit Inquiry and Response (270/271)
LME-MCO	<b>Finding</b>	<b>Finding</b>	<b>Finding</b>	<b>Finding</b>	<b>Finding</b>
Alliance	Compliant	Compliant	Compliant	Compliant	Compliant
Cardinal Innovations	Compliant	Compliant	Compliant	Compliant	Compliant
CenterPoint	Compliant	Compliant	Compliant	Compliant	Compliant
Eastpointe	Compliant	Compliant	Compliant	Compliant	Compliant
Partners Behavioral Healthcare	Compliant	Compliant	Compliant	Compliant	Compliant
Sandhills Center	Compliant	Compliant	Compliant	Compliant	Compliant
Smoky Mountain Center	Compliant	Compliant	Compliant	Compliant	Compliant
Trillium Health Resources	Compliant	Compliant	Compliant	Compliant	Compliant

Data is based on a statistical sample of Medicaid claims processed between September 1, 2015 to February 29, 2016 for each LME-MCO.

A finding of “Compliant” means that CCME found that the LME-MCO was compliant with the outlined requirements.