



Options for Creating a Separate Department of Medicaid Require Transition Planning

A presentation to the
Joint Legislative Oversight Committee on Health and Human Services

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Program Evaluation Division



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Handouts

The Full Report



Today's Slides



Two Double-Sided Handouts



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Study Direction

- Session Law 2012-142, Section 10.9B
- Joint study by the Program Evaluation Division and the Fiscal Research Division
- Study the feasibility of creating a separate Department of Medicaid

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Overview

- The Department of Health and Human Services (DHHS) is the single state agency responsible for the Medicaid Program and must operate within federal guidelines
- DHHS has broad flexibility to manage the Medicaid Program and has delegated Medicaid administrative functions to
 - the Division of Medical Assistance
 - other DHHS divisions and offices
 - other state agencies
 - local government agencies



Overview

- Based on experiences in other states, options exist for changing the organizational structure of the North Carolina Medicaid Program
 - Department of Medicaid
 - Medicaid Program Authority
 - Department of Health Services
- Creating a new Medicaid agency in North Carolina has implications for the Medicaid Program, DHHS, and statewide business functions and would require a 12 to 18 month transition period

Background





NC Medicaid Program History

- North Carolina Medicaid Program began in 1970 after State Plan approval in 1969
- Has always been organized under a human services agency
- Current State Plan designates DHHS as the agency responsible for program administration

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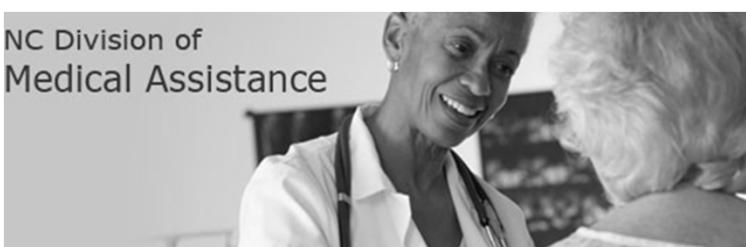


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How Does North Carolina Administer the Medicaid Program?

NC Division of Medical Assistance



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Current Medicaid Program Organization

- DHHS designated as single state agency responsible for administering the Medicaid Program
- Division of Medical Assistance (DMA) manages the Medicaid and Health Choice Programs and functions as a division within DHHS
- DMA is under the Deputy Secretary of Health Services

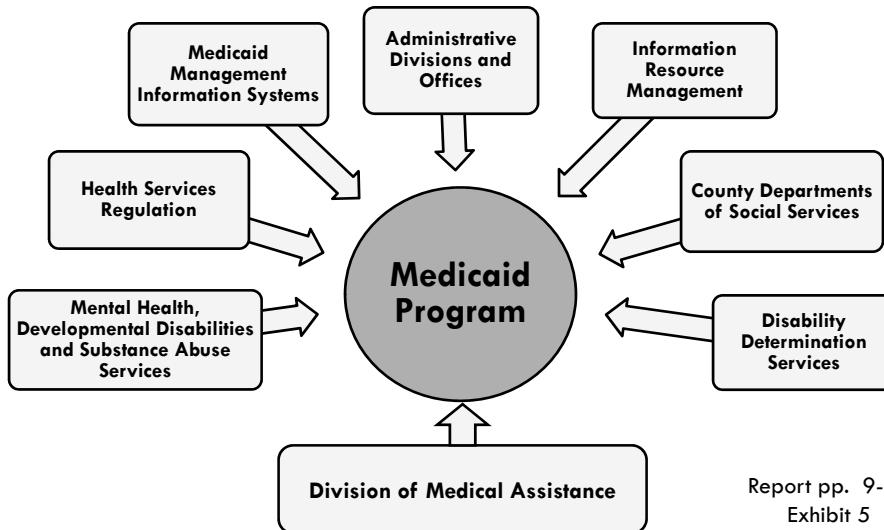
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Other Governmental Entities and Contractors Perform Medicaid Administrative Functions

Administrative Functions	Division of Medical Assistance	Other State or Local Government Entity	Contractor
Beneficiary outreach & enrollment	✓	County Departments of Social Services Disability Determination Services	
Defining the scope of covered benefits	✓		✓
Setting provider and plan payment rates	✓	DHHS Central Administration	✓
Enrolling providers and plans	✓		✓
Payment of providers and plans	✓		✓
Monitoring service quality	✓	Division of Mental Health, Developmental Disabilities & Substance Abuse Services Division of Health Service Regulation	✓
Ensuring program integrity	✓	Department of Justice	✓
Processing appeals	✓	Office of Administrative Hearings DHHS Central Administration County Departments of Social Services	✓
Collecting and reporting information	✓		✓

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DHHS Provides General Administrative Services and Assists with Medicaid Program Functions



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Exhibit 5

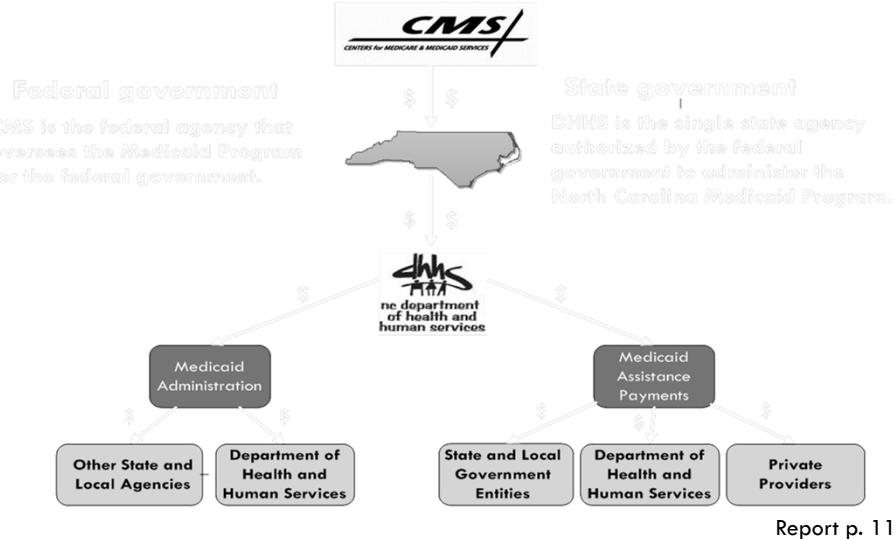
How Does North Carolina Pay for the Medicaid Program?





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Federal Government Provides Matching Funds for the Medicaid Program



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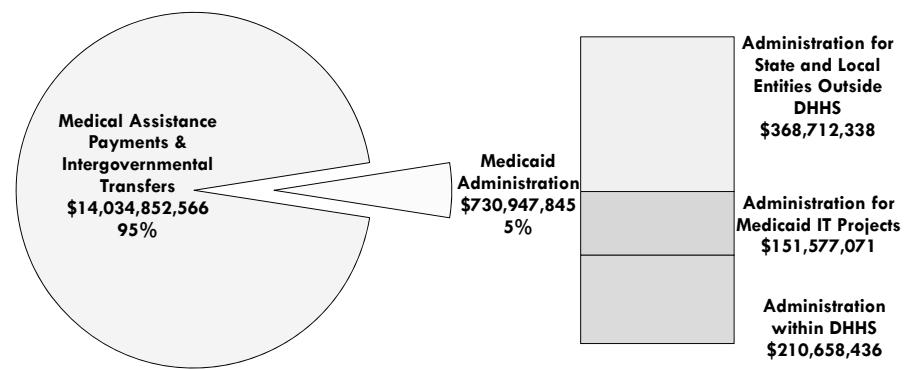
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DHHS Spent 5% of Medicaid Program Expenditures on Administration



Total Fiscal Year 2011-12 Medicaid Program Expenditures = \$14.8 Billion

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DHHS Maximizes Federal Medicaid Reimbursement for DHHS and Other State and Local Entities

- Performing Medicaid administration functions
- Providing general administrative support for the Medicaid Program
- Developing new information technology systems for the Medicaid Program
- Administering a program serving Medicaid beneficiaries

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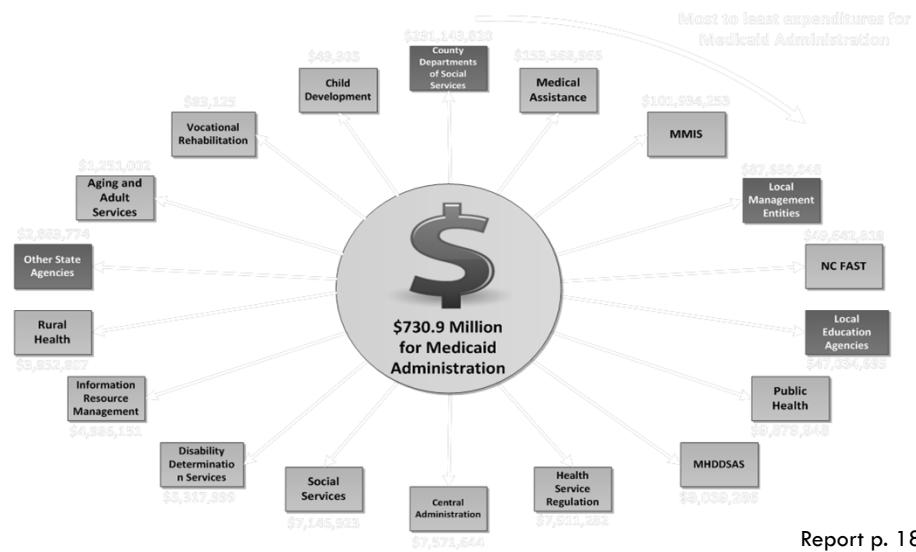
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Expenditures for Medicaid Administration Are Spread throughout DHHS and Includes other State and Local Government Entities



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How Do Other States Administer their Medicaid Programs?



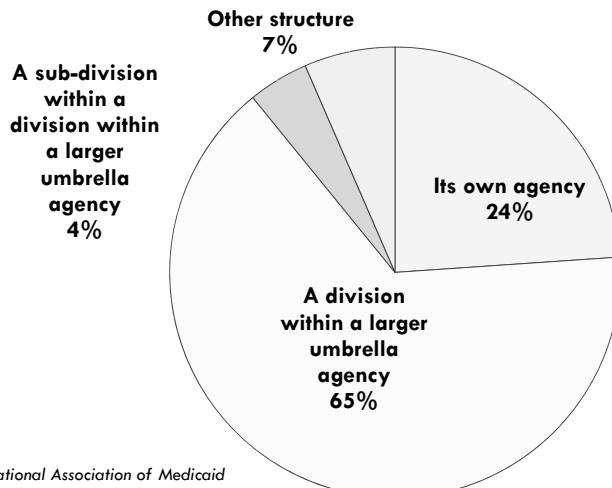
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The Medicaid Program Is a Stand-Alone Department in a Quarter of States



Source: National Association of Medicaid
Directors, 1st Annual Medicaid Operations
Survey: Chart Book, 2012.

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Stand-Alone and Health Care Medicaid Agencies in Selected States

State	Medicaid Program Name (Year Structure Established)	Program Structure	Program Reports to	Monthly Medicaid Enrollment	Total Medicaid Expenditures
Alabama	Alabama Medicaid Agency (1977)	Stand-alone agency	Governor	783,083	\$ 4,748,845,604
Mississippi	Mississippi Division of Medicaid (1969)	Stand-alone agency	Governor	600,533	\$ 4,145,597,358
Ohio	Ohio Department of Medicaid (2013)	Stand-alone agency	Governor	1,937,176	\$15,261,773,582
Oklahoma	Oklahoma Health Care Authority (1993)	Stand-alone agency	Oklahoma Health Care Authority Board	601,315	\$ 4,119,103,272
Oregon	Division of Medical Assistance, Oregon Health Authority (2009)	Health care agency	Director, Oregon Health Authority	455,486	\$ 4,007,017,494
Washington	Washington Health Care Authority (2011)	Health care agency	Governor	1,036,615	\$ 7,062,773,112

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Why States Change the Administrative Structure of their Medicaid Programs

Oklahoma and Ohio created a stand-alone Medicaid agency to

- elevate the Medicaid Program's status within state government
- provide stronger leadership and focus
- increase accountability for program costs
- improve program performance and efficiency

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Why States Change the Administrative Structure of their Medicaid Programs

Oregon and Washington created a health care agency to

- establish a single point of accountability for health and health care costs
- leverage the purchasing power of multiple health care programs
- focus state health reform efforts
- improve program performance and efficiency

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Importance of Transition Planning before Changing the Medicaid Program Administrative Structure

- Oklahoma, Ohio, Oregon, and Washington took six months to two years to complete the transition to a separate Department of Medicaid or a health care agency
- The transition period allowed time to determine the staff, contracts, and physical space that would be moved or affected

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What Options Exist for Creating a Separate Department of Medicaid?



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Options for Changing the Organizational Structure for North Carolina's Medicaid Program

Based on examples in other states: Alabama, Ohio, Oklahoma, Oregon, and Washington

- Department of Medicaid
- Medicaid Program Authority
- Department of Health Services

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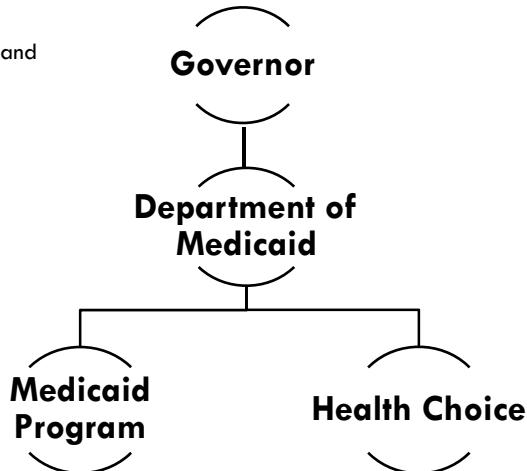
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Department of Medicaid

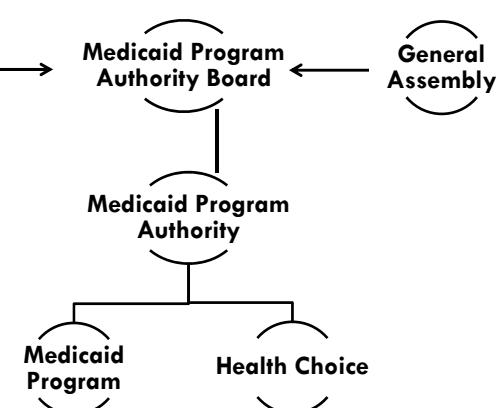
Based on Alabama and
Ohio Medicaid
Programs



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Medicaid Program Authority

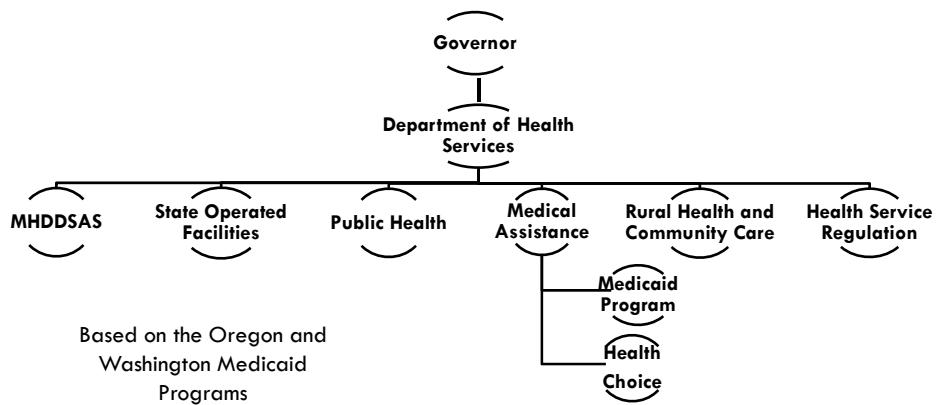
Based on Oklahoma
Medicaid Program



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Department of Health Services



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Comparison of the Organizational Structure Options for the Medicaid Program

Option Attributes	Department of Medicaid	Medicaid Program Authority	Department of Health Services
Operates as separate department	✓	✓	
Operates within a health services department			✓
Reports to the governor	✓		✓
Reports to Medicaid Program Authority Board		✓	
Rule-making performed by department	✓		✓
Rule-making performed by Medicaid Authority Board		✓	

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Implications for the NC Medicaid Program

Implications for the North Carolina Medicaid Program	Department of Medicaid	Medicaid Program Authority	Department of Health Services
Focus on the Medicaid Program	✓	✓	
Focus on health services programs			✓
Increased accountability for the Medicaid Program	✓	✓	
Increased independence for the Medicaid Program	✓	✓	
Increased policy-making transparency for the Medicaid Program	✓	✓	
Achieves economies of scale for general administration			✓
Co-located with health care programs receiving medical assistance payments			✓
Leverages health care program purchasing power			✓

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Implications for the Department of Health and Human Services

- Policy-making
- Medicaid administrative functions
- Cost allocation
- General administrative and information technology support
- Facilities

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Implications for State Government Business Functions

Restructuring state government organization
affects statewide business functions

- Office of the State Controller – financial management
- Office of State Budget and Management – budgeting
- Department of the State Treasurer – financial management
- Department of Administration – e-procurement and mail services

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Constitutional Limit on Number of Principal Administrative Departments Is Not an Impediment

- The North Carolina Constitution (Article III, Section 11) allows no more than 25 principal administrative departments
- Creation of the Department of Public Safety reduced the number of principal administrative departments to 20

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Creating a New Medicaid Agency Would Require a 12 to 18 Month Transition Period

Allows DHHS and new Medicaid agency
leadership to

- Develop mission and goals for the new Medicaid Agency
- Revise the Medicaid State plan
- Determine whether DHHS would continue to perform Medicaid administrative functions
- Coordinate Medicaid and DHHS policies
- Prepare public assistance cost allocation plans for the new Medicaid Agency and DHHS

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Creating a New Medicaid Agency Would Require a 12 to 18 Month Transition Period

Allows DHHS and new Medicaid agency
leadership to

- Identify administrative positions and information technology systems to be transferred to the new Medicaid agency
- Decide the location of the new Medicaid agency
- Identify cost savings or increases resulting from the reorganization
- Work with other state entities to make necessary changes to statewide business functions

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Summary

- Based on experiences in other states, options exist for changing the organizational structure of the North Carolina Medicaid Program
- Creating a new Medicaid agency has implications for the Medicaid Program, DHHS, and statewide business functions
- Creating a new Medicaid agency would require a 12 to 18 month transition period
- Creating a separate Department of Medicaid may not be only way to improve the management of the North Carolina Medicaid Program

Report available online at
www.ncleg.net/PED/Reports/reports.html



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