



DHHS 1915 b/c WAIVER ENTITY PROJECT

**Joint Legislative Oversight Committee
On Mental Health, Developmental Disabilities and Substance Abuse Services
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1



N.C. 1915 b/c WAIVER: WHAT IS IT?

- Waiver - Request to CMS that provisions of the Social Security Act (SSA) be “waived”
 - ❖ State wideness
 - ❖ Fee-for-Service payment requirements
 - ❖ “Any willing and qualified provider”
- 1915(b) waivers are commonly known as a “freedom of choice” or managed care waiver
- 1915(c) waivers are Home and Community Based Services waivers in lieu of institutional care, such as our CAP-MR/DD waivers
- b/c Waiver combines services for all Medicaid funded MH/DD/SA consumers into a single capitated funding model
- Waiver Allows: The operations of a capitated manage care system as vehicle for service provision to Medicaid recipients

2

N.C. 1915 b/c WAIVER: WHAT IS IT CONT'D?

- Waiver Goal - Implementing improvements in the Medicaid Program designed to increase cost-effectiveness, efficiency, consumer access, choice and provider quality. Providing uniform management approach to Medicaid and state funded services.
- 1915 (b) - B-3 Services allows for additional consumer services to be funded from “savings” in the Waiver
- 1915 (c) - Focuses on services to I/DD consumers and allows the management of State/Community ICF-MR services in addition to current CAP-MR/DD Waiver services and other Medicaid funded I/DD consumer services

3

N.C. 1915 b/c WAIVER: WHAT IS IT CONT'D?

- 1915 b/c - Waivers have different authorization lengths and renewal periods (2 - 5 years)
- Provides opportunity to create fiscal incentives that can generate improved consumer outcomes
- Waiver eliminates “any willing and qualified provider” provision - LME MUST ADDRESS ACCESS AND CHOICE CONCERNS - can limit provider network

4

N.C. 1915 b/c WAIVER: WHAT IS IT CONT'D?

- Waiver LME can negotiate rates - generally follow current Medicaid rates
- Waiver management entity (LME) assumes risk in managing the delivery of MH/DD/SA Services within the financial framework of the Medicaid capitation rate
- Services must be managed in a cost/neutral manner (Actual waiver costs must be less than or comparable to actual fee-for-services (FFS) program costs)

5

N.C. 1915 b/c WAIVER: WHAT IS IT CONT'D?

- Combines authorization management of Medicaid/State Funds at the community level
- Provides for **Stable** and **Predictable** Medicaid Expenditures for MH/DD/SA Services

6



1915 b/c WAIVER POLICY TOOLS

- **Capitation-** provides local flexibility and control of Medicaid/State funding
- **Claims Payment-** ensures that funds are spent in keeping with service authorizations
- **Rate Setting Authority-** allows waiver entity to adjust service rates to meet local needs

7



1915 b/c WAIVER POLICY TOOLS CONT'D

- **Closed Network-** allow competition/choice with right sizing the provider network/provider stability
- **Utilization Management-** provides a tool to ensure that consumers receive the right service at the right level
- **Care Management-** provides direct support to high cost/high risk consumers

8

WAIVER GOALS

- Improved Access to Services
- Improved Quality of Care
- Increased Cost Benefit
- Predictable Medicaid Costs
- Combine the management of State/Medicaid Service Funds at the Community Level

9

WAIVER GOALS CONT'D

- Support the purchase and delivery of best practice services
- Ensure that services are managed and delivered within a quality management framework
- Empower consumers and families to set their own priorities, take reasonable risks, participate in system management to shape the system through their choices of services and providers

10

WAIVER GOALS CONT'D

- Empower the LME to build partnerships with consumers, providers and community stakeholders with the goal of creating a more responsive system of community care.
- Increased consistency and economies of scale in the management of community services
- Create financial incentives for LMEs and providers to achieve state goals that improve consumer outcomes

11

1915 b/c WAIVER HISTORY IN NORTH CAROLINA

- April 2005: DHHS began operating under two new waivers in the PBH (formerly know as Piedmont Behavioral Healthcare) LME Area. These Waivers included:
 - ❖ The Piedmont Cardinal Health Plan—a pilot 1915 (b) Freedom of Choice Waiver Project, and
 - ❖ The Innovations Home and Community Based Services (HCBS) 1915 (c) Waiver

12



1915 b/c WAIVER HISTORY IN NORTH CAROLINA CONT'D

- Waivers managed by PBH LME
- Pilot Project: Medicaid funded services for MH/DD/SA on a capitated basis in the five county (Cabarrus, Davidson, Rowan, Stanley & Union) area.

13



1915 b/c WAIVER HISTORY IN NORTH CAROLINA CONT'D

- The capitated funding is paid to PBH in a per member per month (pmpm) payment that is based on the historical service costs associated with six different Medicaid eligibility groups
- PBH Waiver has received annual outside reviews and significant monitoring on the part of DMH/DD/SAS and DMA

14

1915 b/c WAIVER HISTORY IN NORTH CAROLINA CONT'D

- PBH is nationally accredited under NCQA and has developed an aggressive internal quality management and provider monitoring program.
- Based on the performance of PBH Waiver and the guidance from the LOC and the NC General Assembly, DHHS has elected to expand this pilot project beyond the PBH area.
- Expansion will initially be limited (1 - 2 LMEs) with the eventual goal of statewide implementation

15

1915 b/c WAIVER HISTORY IN NORTH CAROLINA CONT'D

- December 2009: DHHS submitted waiver amendment to CMS designed to expand the pilot project through a modification of the existing PBH Waivers.

Note: This Waiver Amendment has since been approved by CMS.

16

1915 b/c WAIVER EXPANSION SCHEDULE

- February 18, 2010: Posting of Request for Applications (RFA)
- March 4, 2010: Bidder's Conference
- April 14, 2010: RFA Application Due Date
- July, 2010: Selection of LME(s)
- January, 2011: Planned Expansion Waiver Start-Up Date

17

1915 b/c WAIVER EXPANSION SCHEDULE CONT'D

- **Note #1:** 1-2 LMEs to be selected as expansion Waiver sites
- **Note #2:** Consumer participation in the RFA selection process
- **Note #3:** Requires Technical Amendment to current Waivers to add new LMEs

18



WAIVER LME SCOPE OF WORK

- Recruiting & Credentialing providers
- Developing and overseeing a comprehensive MH/DD/SAS Provider Network

19



WAIVER LME SCOPE OF WORK CONT'D

- Authorizing Payment for Service
- Processing and Paying Claims
- Conducting Care Management, Utilization Management and Quality Management Functions
- Compliance with DMA and DMH/DD/SAS Contract requirements

20

WAIVER LME SCOPE OF WORK CONT'D

NOTE: These critical functions are required of all LMEs in their management of State funded services. However, successful operation in a capitated environment requires very sophisticated management, technical and IT capacity

21

WAIVER EXPANSION SELECTION CRITERIA

Organizational Arrangements for Application:

- **Single LME**
- **A merger of two or more LMEs (Per G.S. 122C-115.3(a) a full merger can only become effective at the start of a new State fiscal year)**
- **Various subcontracting arrangements among two or more LMEs**
- **A management agreement among two or more LMEs**

22

WAIVER EXPANSION SELECTION CRITERIA CONT'D

- **Note #1:** DHHS may contract with a single LME, a merged LME or a lead LME—DHHS will contract with and make all State/Medicaid capitated funding payments to a single LME.
- **Note #2:** LMEs may propose to contract out one or more of the functions required under the DMA or DMH/DD/SAS contracts. LME responsible for all contractor performance.

23

WAIVER EXPANSION SELECTION CRITERIA CONT'D

Minimum Requirements:

- Medicaid eligible population (3 years or older) = 70,000+ (6 LMEs currently meet this standard)
- Fully divested of all State funded or Medicaid reimbursable services
- Fully accredited for a minimum of three (3) years
Note: If not accredited by URAC or NCQA must become so by 3rd year of waiver operations

24

WAIVER EXPANSION SELECTION CRITERIA CONT'D

- Meet all Single Stream funding requirements
- Financial Status and Viability--Sufficient financial resources and strong financial management
- Letter of support from full LME Board assuming financial responsibility in submitting application
- Can not serve as legal guardian for a recipient of Medicaid funded MH/DD/SA Services

25

WAIVER EXPANSION SELECTION CRITERIA CONT'D

- No LME Staff or Board Member conflict of interest
- Strong IT Capacity
- Letter of Support from the LME Consumer and Family Advisory Committee (CFAC)
- Letter of Support from full LME Board

**NOTE: MINIMUM REQUIREMENTS ARE
REVIEWED ON A PASS/FAIL BASIS**

26

WAIVER EXPANSION SELECTION CRITERIA CONT'D

Additional Requirements:

- **Clinical Operations (35% of Score)**
 - ❖ Customer Services
 - ❖ Care Management/Utilization Management
 - ❖ Quality Assurance and Quality Management
 - ❖ Consumer grievances and Appeals
 - ❖ Provider Network Management

27

WAIVER EXPANSION SELECTION CRITERIA CONT'D

- **Administrative Operations (35% of Score)**
 - ❖ Administrative Staff Qualifications
 - ❖ Health Information System
 - ❖ Records Management
 - ❖ Encounter Data and Claims
 - ❖ Financial Reporting Requirements
 - ❖ Clinical Reporting Requirements
 - ❖ Fraud and Abuse
 - ❖ Subcontracts
 - ❖ Timeliness of Provider Payments
 - ❖ Financial Management/Monitoring
 - ❖ Review of Proposed Organizational Structures

28

WAIVER EXPANSION SELECTION CRITERIA CONT'D

- Implementation Plan (30% of Score)
 - ❖ Tasks
 - ❖ Timelines
 - ❖ Expected Results
 - ❖ Transition of implementation of subcontracted functions

29

BASIC APPLICATION EVALUATION CRITERIA

- Track Record of Success as LME
- Demonstrated Capacity to Operate a Managed Care Program
- Strong Care Management/Utilization Management Function
- High Quality Provider Network Management Program
- Solvent and Financially Viable Organization

30

BASIC APPLICATION EVALUATION CRITERIA CONT'D

- Automated Management Information System
- Demonstrated Capacity to Manage Systems of Care
- Ability to Facilitate the Development and Utilization of Natural Supports

Note: Applicant scoring based on Site and Desk Reviews

31

WAIVER ISSUES/CONCERNS

- Capitation Rates:
 - ❖ Paid PMPM
 - ❖ Payment in Full for services
 - ❖ PMPM based on historical utilization + program changes
 - ❖ Total dollars increase/decrease with number of eligibles
 - ❖ Independent actuarial support

32

WAIVER ISSUES/CONCERNS CONT'D

- Rate set for six (6) Medicaid eligibility groups (e.g. TANF-adult/child 3+, Foster Children 3+, Blind/Disabled 3-20, Blind/Aged/Disabled 21+, DD HCBS Innovations Waiver All Ages)
- Fair Rate = Fair Risk
- What services are in/out? (e.g. ER costs, pharmacy)

33

RISK MANAGEMENT

- Waiver Model: Transfers Risk to LMEs
- Need Risk Reserve - Mercer recommends 16%
- DHHS will add 2% per year to capitation to develop restricted risk reserve

34

RISK MANAGEMENT CONT'D

- Contract requires LMEs to “refresh” Risk Reserve if it falls below required level
- “Savings” can be placed in Risk Reserve
- Purchase of Stop Loss Insurance
- G.S. 122C-115.3.(g) place counties at risk for financial failure of LME

35

PERFORMANCE MONITORING

- Consumer Satisfaction
- Consumer Involvement
- Consumer Access/Choice
- Complaints/Appeals
- Service Utilization Rates
- Cost Performance (Waiver vs. FFS)
- Prompt Pay – Providers
- Integration with primary care
- DHHS Monthly Monitoring

36

ADMINISTRATIVE COSTS

- LMEs participating on the waiver will no longer receive a separate LME Systems Management Cost payment
- Will be negotiated as a percentage of overall funding
- PBH currently at 9.5% for both State & Medicaid funds

37

IMPACT ON LME MANAGEMENT SYSTEM

- Waiver Model will reshape community management structure
- Increased consistency & economies of scale
- Reduce # of LMEs as a result of minimum covered lives requirement
- Economies of Scale vs. Local Management
- Generate Mergers & Alliances
- Demand technical competence
- Risk Management Concerns

38

PROVIDER CONCERNS

- Limited Provider Network
- LME rate negotiation capacity (Note: higher rates can be paid to address access concerns)
- Expanded service authorization function
- Loss of direct enrollment in State Medicaid Program (contract with LME)
- Loss of State level cost reporting/cost finding
- Inclusion in larger system of care (e.g. community ICF-MR facilities)

Note: Some concerns can be addressed in DHHS/LME contracts

39

STATE FUNDING MANAGEMENT ISSUES

- Waiver LME controls bed day funding at:
State Hospitals, ADATCs &
Developmental Centers
- Must purchase all bed day use
- Creates financial incentive to fund
alternative community services

40



STATE FUNDING MANAGEMENT ISSUES CONT'D

- Funding can follow the consumer if beds reduced
- Support Olmstead Goals
- Need to monitor impact on State Facility budgets (e.g. facility cost reductions may not equal lost LME receipts)

41



CONCLUSION

- Waiver expansion provides long-term vision for our community system
- Serves to create financial incentives that generate effective outcomes for our consumers
- Create economies of scale in LME management system
- Provides consistency in management and generates economies of scale in both management and service delivery

42



CONCLUSION CONT'D

- Provides predictable annual Medicaid costs
- Requires careful implementation and monitoring
- Expansion of one LME - 12-15% of N.C. Medicaid Eligible

43