



# HOUSE BILL 1181: North Carolina Medicaid Modernization

2013-2014 General Assembly

**Committee:** House Appropriations  
**Introduced by:** Reps. Dollar, Burr, Avila, Lambeth  
**Analysis of:** PCS to Second Edition  
H1181-CSME-24

**Date:** July 2, 2014  
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**SUMMARY:** *The PCS directs a transformation of the Medicaid program into provider-led capitated health plans to take on all risks, other than enrollment numbers and enrollment mix. The Department of Health and Human Services would be in charge of developing a detailed plan for the transformation of the Medicaid program as well as implementing the plan.*

*The Second Edition authorized a demonstration pilot to allow an LME/MCO to offer physical health services in addition to 1915(c) Innovations Waiver services for a capitated rate. The PCS instead studies the issue of conducting such a pilot.*

**BILL ANALYSIS:** **Section 1** of the bill establishes the intent and goals of transforming the existing fee-for-services Medicaid program, with the primary goal of providing budget predictability. As provided in **Section 3** and **Section 4**, the Department of Health and Human Services (DHHS) would be in charge of implementing the transformation after first developing a detailed plan that includes a timeline, cost and savings estimates, necessary legislation, and measures of success. **Section 5** requires reporting of the detailed plan and **Section 6** requires semiannual reporting on the progress of reform.

**Section 2** provides the principal building blocks of the reform: (i) a system that builds upon the State's primary care medical home model, (ii) provider-led capitated health plans, for which greater amounts of risk and greater numbers of enrollees would be phased in over time, (iii) mechanisms to encourage personal accountability for Medicaid enrollees, and (iv) strong performance metrics to hold providers accountable for quality.

**Section 7** encourages DHHS to, if possible in the reform process, maintain existing funding structures for Medicaid, such as provider assessments. **Section 8** allows DHHS to apply for any waivers or State Plan Amendments necessary to implement the reform. **Section 9** states the commitment of the General Assembly to allow the time and provide the money necessary for reform.

**Section 10** calls for a study of issues related to a possible demonstration pilot project providing both physical and mental health services to 1915(c) Innovations Waiver enrollees through a capitated rate.

**EFFECTIVE DATE:** The PCS would be effective when it becomes law, but includes various reporting dates.

**BACKGROUND:** Medicaid is an entitlement program that provides medical assistance to needy North Carolinians. Approximately two-thirds of the funding for services comes from the federal government. Except for behavioral health services, the program primarily reimburses providers on a fee-for-service basis. Section 12H.1 of S.L. 2013-360 called upon the Department of Health and Human Services (DHHS) to develop a Medicaid reform plan. DHHS proposed a plan in which providers would organize accountable care organizations (ACOs) that would take on certain amounts of risk and share in savings. The First Edition of HB 1181 was an agency bill that would have allowed DHHS to implement its plan.

