

STATE OF NORTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES

ROY COOPER
GOVERNOR

KODY H. KINSLEY
SECRETARY

July 2, 2024

SENT VIA ELECTRONIC MAIL

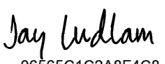
Mr. Brian Matteson, Director
Fiscal Research Division
Suite 619, Legislative Office Building
Raleigh, NC 27603-5925

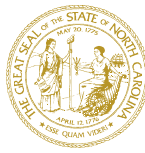
Dear Director Matteson:

Session Law 2022-74, Section 9D.12, requires the Department of Health and Human Services, Division of Health Benefits, to submit an annual report to the Joint Legislative Oversight Committee on Medicaid and the Fiscal Research Division containing recommendations regarding adjustments to the per member per month (PMPM) capitation amount paid to local management entities/managed care organizations (LME/MCOs) operating BH IDD tailored plans. Pursuant to the provisions of law, the Department is pleased to submit the attached report.

Should you have any questions regarding this report, please contact Karen Wade, Director of Policy, at Karen.Wade@dhhs.nc.gov.

Sincerely,

DocuSigned by:

on behalf of Kody H. Kinsley
Kody H. Kinsley
Secretary



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The Honorable Jim Burgin, Chair
Joint Legislative Oversight
Committee on Medicaid
North Carolina General Assembly
Room 620, Legislative Office Building
Raleigh, NC 27603

The Honorable Donny Lambeth, Chair
Joint Legislative Oversight
Committee on Medicaid
North Carolina General Assembly
Room 303, Legislative Office Building
Raleigh, NC 27603

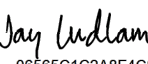
The Honorable Larry Potts, Chair
Joint Legislative Oversight
Committee on Medicaid
North Carolina General Assembly
Room 307B1, Legislative Office Building
Raleigh, NC 27603

Dear Chairmen:

Session Law 2022-74, Section 9D.12, requires the Department of Health and Human Services, Division of Health Benefits, to submit an annual report to the Joint Legislative Oversight Committee on Medicaid and the Fiscal Research Division containing recommendations regarding adjustments to the per member per month (PMPM) capitation amount paid to local management entities/managed care organizations (LME/MCOs) operating BH IDD tailored plans. Pursuant to the provisions of law, the Department is pleased to submit the attached report.

Should you have any questions regarding this report, please contact Karen Wade, Director of Policy, at Karen.Wade@dhhs.nc.gov.

Sincerely,

DocuSigned by:
 on behalf of Kody H. Kinsley
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Kody H. Kinsley
Secretary

**BH/IDD Tailored Plan PMPM Adjustment
Recommendations Regarding Wages for Direct Support
Personnel**

Session Law 2022-74, Section 9D.12



**Report to
Joint Legislative Oversight Committee on Medicaid
and
Fiscal Research Division
by
North Carolina Department of Health and Human Services**

July 2, 2024

Background

Section 9D.12 of North Carolina Session Law 2022-74 requires the following:

Beginning March 1, 2023, and for five years thereafter, the Department of Health and Human Services, Division of Health Benefits (DHB), shall submit to the Joint Legislative Oversight Committee on Medicaid and the Fiscal Research Division a report containing recommendations regarding adjustments to the per member per month (PMPM) capitation amount paid to local management entities/managed care organizations (LME/MCOs) operating BH IDD tailored plans. The recommendations shall include adjustment amounts that are sufficient to increase the wages of direct support personnel who provide services to Medicaid beneficiaries residing in intermediate care facilities for individuals with intellectual disabilities (ICF/IIDs), including ICF/IID-level group homes, and Medicaid beneficiaries receiving services through the North Carolina Innovations waiver program. The report shall contain the costs associated with any recommended adjustments to the PMPM capitation amount. DHB shall take the following into account when making the recommendations:

- 1) Wages of direct support personnel working at the State developmental centers, with the goal of aligning the wages of direct support personnel regardless of place of employment.
- 2) Actuarial soundness requirements for capitation rates.
- 3) Assurance of continued safe and effective provision of services to Medicaid beneficiaries residing in ICF/IIDs or receiving services through the North Carolina Innovations waiver program.
- 4) Input from stakeholders, including the acceptance of data from knowledgeable trade organizations that supports the validation of any recommended adjustment to the PMPM capitation amounts.

This report is the second of the six annual reports. It summarizes the following:

1. DHB's 2023 PMPM recommendation, as indicated in the 2023 Report
2. The subsequent funding and provisions set forth by the General Assembly in S.L. 2023-134
3. DHB's distribution of the State Fiscal Year (SFY) 2024 funding
4. The estimated remaining need for increased funding in SFY 2025 to meet the directives of S.L. 2022-74, Section 9D.12.

DHB 2023 PMPM Recommendation for Innovations and Private ICF Wage Increases:

To meet the directive of SL 2022-74, Section 9D.12, DHB recommended a state-appropriations increase of \$78.2 million (funding \$242.1 million total computable dollars added to provider rates) to the NC Medicaid budget for rate increases that support direct support personnel wage

increases in private ICF/IIDs and Innovations Waiver Services. This amount was estimated to be required to increase the capitation rates paid to the local management entities operating the BH IDD tailored plan and Medicaid Direct BH programs to a level that would be sufficient to fund increasing direct support personnel wages to approximately \$18.00 per hour. The \$78.2 million of increased appropriations breaks out as follows:

- **\$30.1 million in state funding** (providing \$93.3 million of total computable funding) added to the NC Medicaid budget to increase the capitation rates paid to the local management entities operating the BH IDD tailored plan and Medicaid Direct BH programs to level that is sufficient to provide funding to increase direct support personnel wages from \$13.12 to \$15.00 per hour and create wage parity between the Innovations waiver, privately owned ICF/IID and State Developmental Center workforce.
- **\$48.1 million in state funding** (providing \$148.8 million of additional total computable funding) added, to move Innovations and ICF wages from \$15.00 to \$18.00 per hour as noted in the Trade Organization Report discussed in the first of this report. Note that this would create disparity between the private and state-operated ICF/IIDs, which would still only be funded at a level supporting wages of approximately \$15.00 per hour.

Additional Funding for Innovations Waiver Provider Rate Increases in S.L. 2023-134:

The NC General Assembly appropriated \$60 million in recurring state appropriations (supporting \$176 million in total computable dollars added to provider rates) in the Current Operations Appropriations Act of 2023 (Committee Report page C60, item 111; SL 2023-134, Section 9E.15) to raise NC Medicaid Innovations Waiver Services rates so that Innovations Waiver services providers can in turn raise the hourly wages of the direct care workers (DCW) they employ. The legislation did not include an increase in funding for ICF/IIDs.

Though the legislation did not specify the amount or percentage of the rate increase that must be passed through to Innovations Waiver Services DCW wage increases, the General Assembly stated an intention of increasing the average hourly wage for DCWs in Innovations services by \$6.50 per hour to move those workers to an average wage of \$18.00/hr. The funding appropriated for State Fiscal Year (SFY) 2024 did not enable a wage increase that large, but it did support significant movement in that direction.

DHB Distribution of the SFY 2024 Funding for Innovations Waiver Provider Rate Increases:

To determine the provider rate increases that could be supported by the appropriated funding, DHB drew on input and collaboration from DHB policy experts and program managers, including 1915(c) waiver experts, along with other staff within the Department of Health and Human Services (DHHS) familiar with the service delivery modes of the impacted services.

DHB determined that all applicable services would receive a uniform unit increase of \$1.13 per 15-minute increment of service, subject to proportional adjustment for services not funded in 15-

minute service units. These rate increases were effective July 1, 2023, and were retroactively adjusted in capitation rates for Local Management Entities/Managed Care Organizations (LME/MCOs). LME/MCOs were also contractually required to reprocess claims for dates of service on or after July 1, 2023, to ensure that providers receive the increased rates beginning on the effective date.

SFY 2024 Direct Support Personnel Wage Increase Funding Gap

The following table shows the difference between DHB's 2023 PMPM recommendations and the total appropriated funding for Innovations Waiver Services DCW wage increases set forth in SL 2023-134. To continue raising DCW wages to an estimated average of \$18.00/hour, the General Assembly would need to fund an additional \$18.2 million in recurring appropriations specifically targeted to wage increases for DCWs in Innovations Waiver Services and ICF/IIDs.

Innovations & ICF/IID DCW Wage Increase	Total Costs	Total State Funding Needed
2023 DHB Recommendation	\$242.1 Million	\$78.2 Million
SL2023-134 Appropriated	\$176 Million	\$60 Million
Remaining Funding Need	\$66.1 Million	\$18.2 Million

Note: The Governor's FY 2025 budget recommendations include a proposal for \$180 million in recurring funding to support increasing the wages of all home and community-based services (HCBS) DCWs, including those in Innovations Waiver Services and ICF/IIDs, to \$18.00/hour.

Appendix A: Session Law 2022-74 9D.12

BH/IDD TAILORED PLAN PMPM ADJUSTMENT RECOMMENDATIONS

SECTION 9D.12. Beginning March 1, 2023, and for five years thereafter, the Department of Health and Human Services, Division of Health Benefits (DHB), shall submit to the Joint Legislative Oversight Committee on Medicaid and NC Health Choice and the Fiscal Research Division a report containing recommendations regarding adjustments to the per member per month (PMPM) capitation amount paid to local management entities/managed care organizations (LME/MCOs) operating BH IDD tailored plans. The recommendations shall include adjustment amounts that are sufficient to increase the wages of direct support personnel who provide services to Medicaid beneficiaries residing in intermediate care facilities for individuals with intellectual disabilities (ICF/IIDs), including ICF/IID-level group homes, and Medicaid beneficiaries receiving services through the North Carolina Innovations waiver program. The report shall contain the costs associated with any recommended adjustments to the PMPM capitation amount. DHB shall take the following into account when making the recommendations:

1. Wages of direct support personnel working at the State developmental centers, with the goal of aligning the wages of direct support personnel regardless of place of employment.
2. Actuarial soundness requirements for capitation rates.
3. Assurance of continued safe and effective provision of services to Medicaid beneficiaries residing in ICF/IIDs or receiving services through the North Carolina Innovations waiver program. House Bill 103 Session Law 2022-74 Page 75
4. Input from stakeholders, including the acceptance of data from knowledgeable trade organizations that supports the validation of any recommended adjustment to the PMPM capitation amounts.