

# North Carolina Medicaid Managed Care

## NC Medicaid's Approved 1115 Demonstration Waiver

The federal Centers for Medicare & Medicaid Services (CMS) approved North Carolina's 1115 waiver for a five-year demonstration period. The 1115 waiver provides the North Carolina Department of Health and Human Services (DHHS) important flexibility and federal authority to advance the well-being of North Carolinians and serves as a major milestone in implementing North Carolina's Medicaid transformation.

### VISION FOR MEDICAID TRANSFORMATION

DHHS is committed to improving the health and well-being of North Carolinians through an innovative, whole-person centered and well-coordinated system of care that addresses both medical and non-medical drivers of health.

### BACKGROUND

In 2015, the North Carolina General Assembly enacted Session Law 2015-245, directing the transition of Medicaid from a predominantly fee-for-service structure to managed care. In managed care, DHHS will still be accountable for all aspects of the Medicaid and NC Health Choice programs, but will delegate the direct management of certain health services and financial risks to Prepaid Health Plans (PHPs) that will contract with providers to deliver services for their members.

Since 2015, DHHS has collaborated with and solicited extensive feedback on its transition to managed care from clinicians, hospitals, beneficiaries, counties, health plans, elected officials, advocates and other stakeholders. Throughout this process, stakeholder feedback has shaped the program design. As a result, DHHS has developed an innovative program for Medicaid managed care that is responsive to the needs of the beneficiaries it serves, as well as clinicians, hospitals and health plans.

In November 2017, North Carolina submitted an amended 1115 demonstration waiver application to CMS that updated the waiver application submitted in June 2016. The waiver application focused only on those aspects of the broader Medicaid Transformation effort that required federal waiver authority from CMS (other features of transformation will be authorized through the state plan or contract approval processes).

### NORTH CAROLINA'S 1115 WAIVER

Fundamentally, the waiver provides North Carolina with federal authority to implement Medicaid managed care and phase certain populations into managed care over time. Under the waiver, North Carolina has further federal authority to incorporate the following innovative features into its new managed care delivery system, further enhancing the program's ability to deliver on the state's transformational goals:

- Behavioral Health Integration, Tailored Plans and Specialized Health Homes.** This waiver approval supports DHHS' broader goal to integrate behavioral health services, physical health services and pharmacy benefits so that all managed care beneficiaries have seamless access to these benefits through one insurance card. DHHS received federal authority to provide a specific, more intensive set of behavioral health benefits through Tailored Plans. Tailored Plans will serve people with a serious mental illness, serious emotional disturbance, severe substance use disorder, intellectual/developmental disability or a traumatic brain injury. North Carolina will also implement a specialized health home model to ensure strong care management for people in Tailored Plans.
- Opioid Strategy.** To support broader state efforts to combat the opioid crisis, DHHS received federal authority to increase access to inpatient and residential substance use disorder treatment through reimbursement for services in institutions of mental disease (IMD). This federal authority will augment North Carolina's comprehensive strategy to improve care quality and outcomes for patients with substance use disorders, including efforts to decrease the

long-term use of opioids and increase the use of medication-assisted treatment (MAT) and other treatment services.

- **Healthy Opportunities Pilots.** DHHS received CMS approval to implement within Medicaid managed care an innovative Healthy Opportunities pilot program in two to four regions to improve health and reduce health care costs. Recognizing that overall health is driven by many factors beyond the four walls of a hospital or clinic, these pilots, working with the managed care plans in their regions, will identify the most cost-effective ways to deliver care. The pilots will support and strengthen work already underway in communities and at the state level to maximize efficiencies and effectiveness within the managed care program, focusing on housing, food, transportation, employment and interpersonal safety. North Carolina is the first state to receive approval to comprehensively pilot these innovations, making it a national leader in promoting value and improving health through its managed care program.
- **Evaluation.** As is standard practice for 1115 waivers, North Carolina will arrange for a third-party entity to conduct an independent evaluation of this demonstration to understand the extent to which the demonstration has meaningfully improved health and maximized high-value care, among other goals. North Carolina will submit to CMS two publicly available reports prepared by the independent evaluator: one in the middle of the demonstration and one after the five-year demonstration period (2019-2024) ends.
- **Budget Neutrality.** CMS policy requires that 1115 waiver demonstrations be budget neutral to the federal government, meaning that North Carolina not spend more than it projected to spend without the waiver. North Carolina submitted projected spending with and without the waiver, demonstrating that federal expenditures are not expected to be higher under the waiver.

During waiver negotiations, CMS and North Carolina agreed to finalize a first set of activities under the approved 1115 waiver authority while continuing to negotiate additional waiver and expenditure authority requests over the upcoming months. These open issues include:

- **Uncompensated Care Pool for Tribal Providers.** North Carolina's waiver application included a request for expenditure authority for an uncompensated care pool to address the high burden of uncompensated care borne by the Cherokee Indian Hospital Authority (CIHA).  
  
"Uncompensated care" refers to services provided to patients who are unable to pay. Funds in uncompensated care pools go to providers to help offset those losses.
- **Workforce.** North Carolina proposed to invest in building its Medicaid provider network through an Innovation Workforce Fund. The Fund would support loan repayment and recruitment bonuses for critical Medicaid provider types targeted to fill identified gaps in the Medicaid provider network.
- **Behavioral Health Home Capacity-Building Funds.** DHHS is working with CMS to gain approval for providing capacity-building funds to support the development of a strong health home care management model to meet the needs of people with I/DD or significant behavioral health needs.

For more information on North Carolina's approved waiver or more information about Medicaid managed care, visit the Medicaid Transformation website at [www.ncdhhs.gov/medicaid-transformation](http://www.ncdhhs.gov/medicaid-transformation).

