

PUBLIC NOTICE

The North Carolina Department of Health and Human Services (DHHS) is providing public notice of its submission to the Centers of Medicare and Medicaid Services (CMS) of a written request to amend its Section 1115 Waiver application and to solicit public input to receive comments on the amendments to the Application.

The State submitted a Section 1115 Demonstration Waiver to CMS in June 2016 outlining plans to transition to a Medicaid managed care program. The State now seeks to amend the June 2016 Section 1115 Demonstration Waiver Application to strengthen the design of its managed care program to ensure the State's ability to: 1) measurably improve health, 2) maximize value to ensure the sustainability of the program, and 3) increase access to care.

Programmatic features of the amendments to the application have been refined through multiple rounds of robust stakeholder engagement since the original public comment period and waiver submission in June 2016. In 2017, the State released a "Request for Public Input" and a "Proposed Program Design for Medicaid Managed Care," each of which described the State's approach to managed care and highlighted features to strengthen managed care implementation. The State accepted public comments on each of these documents for at least 30 days after their release. Additionally, the State released a summary of public comments on the Proposed Program Design document on the North Carolina Medicaid Transformation website at ncdhhs.gov/nc-medicaid-transformation. A list of additional public notice activities since the submission of the original waiver application is included at the end of this notice.

A summary of the amended application follows. We highlight for stakeholders the financial information related to the amended application, which was still under development at the time the Proposed Program Design was released.

- The purpose of the waiver application is to transition the Medicaid program from predominantly fee-for-serve to managed care in a way that advances high-value care, improves population health, engages and supports providers and establishes a sustainable program with predictable costs. As described in the Proposed Program Design, North Carolina is proposing initiatives to achieve those goals, including designing managed care products tailored for enrollees with high behavioral health needs, strengthening the provider workforce through new initiatives specially designed to address the needs of the Medicaid population, and testing and strengthening public-private initiatives in select regions of North Carolina that aim to measurably improve health and lower costs through evidence-based interventions addressing targeted health-related needs.
- Approximately 1.5 million of the current two million Medicaid beneficiaries will be mandatorily enrolled in managed care under the proposed demonstration. All members of a federally recognized tribe will be permitted to opt-in to managed care and to disenroll at any time without cause. A subset of beneficiaries will be excluded from managed care and will continue to receive benefits through their current delivery system. There will be no changes to cost-sharing obligations for current enrollees. As described in the Proposed Program Design Document, the State now seeks to establish the "Carolina Cares" program, if proposed State legislation is enacted. "Carolina Cares" would expand access to Medicaid for certain low-income adults, most of whom would be subject to premium payments and employment activity requirements.

- Estimated Impact on Expenditures and Enrollment
 - The following projections use calendar year 2015, historical aggregate per capita cost trend, and enrollment trend data based on the populations expected to be enrolled in the demonstration.
 - The increase in costs beginning in DY03 includes consideration for the enrollment of additional individuals with I/DD, TBI and/or significant behavioral health needs.
 - Please refer to Section VI of the Section 1115 Demonstration Waiver application amendment for complete details.

	Historical Enrollment and Budgetary Data					
	2011 (01/11 - 12/11)	2012 (01/12 - 12/12)	2013 (01/13 - 12/13)	2014 (01/14 - 12/14)	2015 (01/15 - 12/15)	5 Year Total
Members	1,304,030	1,359,884	1,386,625	1,489,365	1,568,181	7,108,085
Historical Aggregate Expenditures	\$ 6,222,934,113	\$ 6,612,096,825	\$ 6,954,086,394	\$ 7,211,615,017	\$ 7,594,611,753	\$ 34,595,344,101

Excluding Carolina Cares

	Demonstration Years (DY)					
	DY 01 (07/19 - 06/20)	DY 02 (07/20 - 06/21)	DY 03 (07/21 - 06/22)	DY 04 (07/22 - 06/23)	DY 05 (07/23 - 06/24)	5 Year Total
Members	1,588,338	1,627,085	1,784,979	1,828,385	1,872,857	8,701,644
Estimated Aggregate Expenditures	\$ 7,839,026,397	\$ 8,353,397,251	\$ 12,003,860,385	\$ 12,791,429,061	\$ 13,631,053,139	\$ 54,618,766,233

Including Carolina Cares

	Demonstration Years (DY)					
	DY 01 (07/19 - 06/20)	DY 02 (07/20 - 06/21)	DY 03 (07/21 - 06/22)	DY 04 (07/22 - 06/23)	DY 05 (07/23 - 06/24)	5 Year Total
Members	1,930,665	1,989,001	2,167,605	2,232,905	2,300,524	10,620,700
Estimated Aggregate Expenditures	\$ 12,273,236,810	\$ 13,231,585,666	\$ 17,386,970,921	\$ 18,713,526,798	\$ 20,146,104,498	\$ 81,751,424,693

- The hypotheses North Carolina will use to evaluate the effectiveness of the Demonstration test the State's goals. Examples include:
 - To test whether the demonstration measurably improves health, the State hypothesizes that the implementation of tailored plans and the specialized foster care plan will increase the quality of care for individuals with serious mental illness, serious emotional disturbance, substance use disorder and I/DD, and for children in foster care.
 - To test whether the demonstration maximizes high-value care to ensure the sustainability of the program, the State hypothesizes that the implementation of Medicaid managed care will decrease the use of emergency departments for non-urgent use and hospital admissions for ambulatory sensitive conditions.
 - To test whether the demonstration increases access to care, the State hypothesizes that the implementation of Medicaid managed care and the proposed provider support initiatives

will increase the numbers of primary care, obstetric, mental health and specialty providers in underserved areas, improve provider satisfaction, and maintain the same level of providers' participation in Medicaid.

The State will request the following waivers and expenditure authorities to effectively execute its proposed Section 1115 Demonstration Waiver:

Waivers

- § 1902(a)(10)(B) and § 1902(a)(17): To permit North Carolina to implement tailored plans offering certain benefits not available to enrollees who either do not qualify for or decline to enroll in tailored plans (contingent on legislative authority).
- § 1902(a)(10)(B) and § 1902(a)(17): To permit North Carolina to implement specialized foster care plans offering certain benefits not available to enrollees who either do not qualify for or decline to enroll in the specialized foster care plan.
- § 1902(a)(23): To permit North Carolina to implement mandatory managed care through selective contracting with PHPs for demonstration participants.
- § 1902(a)(1): To permit North Carolina to implement statewide mandatory managed care through PHPs for demonstration enrollees on a phased-in basis as necessary (contingent on legislative authority).
- § 1902(a)(14) and § 1916: To permit North Carolina to impose premiums of 2% of income for Carolina Cares enrollees with incomes > 50% of the FPL (if proposed legislation is enacted).
- § 1902(a)(8): To permit North Carolina to prohibit reenrollment of Carolina Cares enrollees disenrolled for failure to pay premiums until payment of back due premiums (if proposed legislation is enacted).
- § 1902(a)(10)(A): To permit North Carolina to require Carolina Cares enrollees to engage in work or work-related activities to remain enrolled in coverage (if proposed legislation is enacted).

Expenditure Authorities

- Tribal Uncompensated Care Pool: Expenditures for uncompensated care provided by or arranged through the Cherokee Indian Hospital Authority of up to \$86.6 million over five years.
- Cost-Settling Essential Safety-Net Providers: To make wrap-around payments outside of managed care to selected providers currently reimbursed on a cost-settled basis (local public health departments, public ambulance providers, and state-owned or -operated skilled nursing facilities).
- Innovation Workforce Fund: To expand the Medicaid provider workforce in underserved areas of the State through new loan repayment and incentive programs of up to \$45M over five years.
- Health Home Care Management: To provide up to \$150M over five years seed money to help tailored plans and care management agencies build capacity to implement the health home care management model.
- Institutions of Mental Disease (IMD) Waiver: To make payments to IMDs for individuals receiving acute care for either mental health or substance use disorder treatment. The State will seek approval of the expenditure authority to pay for substance use disorder services in an IMD as quickly as possible for immediate implementation.

- Public–Private Regional Pilots: To fund up to \$800 M over five years for public–private regional pilots aimed at addressing the social determinants of health through evidence-based interventions.
- Telemedicine Alliance: To provide an organization with up to \$5M in start-up funding to establish a statewide telemedicine alliance.
- Telemedicine Innovation Fund: To fund up to \$80M over five years pilots aimed at testing evidence-based telemedicine initiatives.

The complete version of the current draft of the Demonstration application will be available for public comment as of 5 p.m. Nov. 20, 2017, at ncdhhs.gov/nc-medicaid-transformation.

Public comments on any part of the Section 1115 Demonstration Waiver application amendment, including previously released sections or concepts, may be submitted until 11:59 pm on Friday, Dec. 29, 2017. Comments may be submitted by email to Medicaid.Transformation@dhhs.nc.gov or by regular mail to: Division of Health Benefits, North Carolina Department of Health and Human Services, 1950 Mail Service Center, Raleigh NC 27699-1950.

For additional information or a hard copy of the Section 1115 Demonstration Waiver application amendment, please contact Debra Farrington, Department of Health and Human Services, Division of Health Benefits, 1950 Mail Service Center, Raleigh NC 27699-1950 or debra.farrington@dhhs.nc.gov.

Public Notice Activities After Submission of the Original Waiver Application

Public notice and stakeholder activities after the submission in June 2016 of the original waiver application were targeted to gather input on more specific topics or populations, although all feedback was – and continues to be -- welcomed and encouraged. In addition to formalized activities, ad hoc comments were received through the dedicated waiver email, Medicaid.Transformation@dhhs.nc.gov and within other Medicaid-related stakeholder meetings.

Public Comment or Response Requests

North Carolina Medicaid and NC Health Choice Requests for Public Input: Public Comment Period April 25, 2017 through May 25, 2017. DHHS published the “North Carolina Medicaid and NC Health Choice Transformation Request for Public Input” April 28, 2017, on the Medicaid Transformation website at ncdhhs.gov/nc-medicaid-transformation. The request solicited feedback on several topics raised by stakeholders as the Department continued to listen to and talk with North Carolinians about how to make the state healthier. Although all input was welcome and encouraged, these topics were particularly important to the design of a successful Medicaid managed care program:

- Physical and behavioral health service delivery
- Supporting provider transformation
- Care management and population health
- Addressing social determinants of health
- Improving quality of care
- Increasing access to care and treating substance use disorder

Public input was received during four public hearings:

- May 1, 5:30-7:30 p.m., Greensboro
- May 10, 3:00-5:00 p.m., Greenville
- May 12, 2:00-4:00 p.m., Asheville
- May 16, 6:00-8:00 p.m., Raleigh

Written input was received through:

- Email: MedicaidReform@dhhs.nc.gov
- U.S. Mail: Department of Health and Human Services, Division of Health Benefits, 1950 Mail Service Center, Raleigh NC 27699-1950
- Drop-off: Department of Health and Human Services, Dorothea Dix Campus, Adams Building, 101 Blair Dr., Raleigh NC

The Department received over 700 comments related to improving Medicaid. A summary of public input received is on the Medicaid Transformation website at ncdhhs.gov/nc-medicaid-transformation.

North Carolina’s Proposed Program Design for Medicaid Managed Care: Public Comment Period August 8, 2017 through Sept. 8, 2017. DHHS published the “North Carolina’s Proposed Program Design for Medicaid Managed Care” August 8, 2017, on the Medicaid Transformation website at ncdhhs.gov/nc-medicaid-transformation.

The proposed program design was published to provide more detailed information on the Department’s vision for Medicaid managed care, and solicit comments from all stakeholders, but also to encourage input from health plans on technical and operational aspects of managed care program design. More than 200 written comments were received through email, U.S. Mail or dropped off at DHHS. A summary of public input received is on the Medicaid Transformation website at ncdhhs.gov/nc-medicaid-transformation.

Requests for Information: Response Period Nov. 2, 2017 through Dec. 15, 2017. Two requests for information were issued in November 2017:

- **Managed Care Operations RFI.** Addresses managed care operations, including a request for statement of interest from prospective prepaid health plans.
- **Managed Care Program Actuarial RFI.** Addresses financial aspects of managed care, including information on the proposed capitation rate setting methodology.

The RFIs represent the next step in refining the design of the Medicaid managed care program and in transitioning into the procurement process needed to implement the program. DHHS will use input on the Medicaid managed care RFI to inform a Request for Proposal (RFP) from entities that want to participate as Prepaid Health Plans.

Concept Paper

Behavioral Health I/DD Tailored Plan Concept Paper, issued Nov. 9, 2017. The first in a series of concept papers that will provide details on specific components of the managed care program design. DHHS invites stakeholders to share input by sending an email to Medicaid.Transformation@dhhs.nc.gov.

The papers are posted on the Medicaid Transformation website at ncdhhs.gov/nc-medicaid-transformation.

Work Groups and Committees

Medical Care Advisory Committee. With the release of the “North Carolina’s Proposed Program Design for Medicaid Managed Care,” the State engaged the Medical Care Advisory Committee (MCAC) which is open to the public, as the formal stakeholder engagement body charged with providing feedback and comment on the wide range of transformation efforts including the Draft 1115 demonstration application. The diverse membership of the MCAC, including beneficiaries, advocates, urban and rural physicians and hospitals with representation from each region, will help ensure DHHS is sharing information with and receiving feedback from a wide-range of perspectives. DHHS has hosted in person and conference calls to ensure accessibility for individuals with disabilities to participate in stakeholder engagement wherever possible.

MCAC in person and telephonic meetings were held as follows:

- August 31, 2017 – MCAC meeting (telephonic) regarding proposed design for Medicaid transformation with Question and Answer session. Several members of the MCAC spoke during the Q&A session
- September 22, 2017 – MCAC meeting (in person) regarding program design details, comments received on proposed design and procurement timelines, several members of the public spoke during this face to face meeting
- October 26, 2017 – MCAC meeting (telephonic) regarding draft Managed Care Quality Strategy
- November 15, 2017 – MCAC meeting (telephonic) reviewed Amended Draft 1115 demonstration application and subcommittees of the MCAC to address managed care program design topics. One member of the public spoke during the public comment period.

Dual Eligibles Advisory Committee Work Group. The Dual Eligibles Advisory Committee was formed August 2016 to meet the requirements of S.L. 2015-245. This Committee, which was comprised of 32 individuals throughout North Carolina who are recognized as experts in a wide range of issues pertaining to dual eligible health care delivery and coverage. The group provided input that DHHS used to prepare “The Managed Care Strategy for North Carolina Medicare-Medicaid Dual Eligible Beneficiaries,” a legislatively required report recommending the approach to transitioning dual eligibles into managed care. This report was released to the General Assembly Jan. 23, 2017, and can be found on the Medicaid Transformation website at ncdhhs.gov/divisions/medical-assistance/nc-medicaid-reform/dual-eligibles-advisory-committee.

Tribal Consultation

The State has also continued to pursue ongoing, meaningful engagement with EBCI through telephonic and in-person meetings as follows:

- February 10, 2017 – Meeting with EBCI representatives regarding tribal priorities for Medicaid managed care transformation
- June 12-13, 2017 – Meeting with EBCI representatives regarding program design

- August 17, 2017 – Meeting with EBCI representatives and NC DHHS Secretary Cohen on program design
- September 6, 2017 – Meeting with EBCI representatives regarding enrollment broker activities
- September 27, 2017 – Meeting with EBCI representatives regarding foster care design
- October 18, 2017 – Meeting with EBCI representatives to discuss enrollment broker approach, 100% FMAP/referral pass through options, and quality strategy development
- October 25, 2017 – Meeting with EBCI representatives to discuss 100% FMAP/referral pass through updates
- November 7, 2017 – Meeting with EBCI representatives to discuss updates related to the uncompensated care pool and care management PMPM estimates; discussion of quality strategy, RFI, and proposed design topics of interest to the Tribe to be discussed in future meetings
- November 13, 2017 – Meeting with EBCI representatives to discuss uncompensated care pool questions
- November 15, 2017 – Meeting with EBCI representatives regarding Carolina Cares, social determinants of health, care management/advanced medical homes, the institutions for mental disease waiver, and in lieu of services design policies
- November 20, 2017 – Meeting with EBCI representatives regarding pharmacy/utilization management, clinical coverage, network adequacy, and credentialing design policies