

LME/MCO Fund Balance Transfers

G.S. 122C-115.6

Quarter Ending March 31, 2025



Report to

The Joint Legislative Oversight Committee on Medicaid

**The Joint Legislative Oversight Committee on
Health and Human Services**

and

The Fiscal Research Division

By

NC Department of Health and Human Services

July 15, 2025

Table of Contents

	Page
Reporting Requirements.....	3
Background.....	3
Calculations.....	3
Funds Transferred During the Previous Quarter	5
Appendix A	6

Reporting Requirements

G.S. 122C-115.6(f), enacted by Section 9G.7A(a1) of Session Law 2023-134 (see Appendix A for full text), requires the Department of Health and Human Services (DHHS) to report quarterly on any Local Management Entity/Managed Care Organization (LME/MCO) funds transferred as a result of county alignments during the previous quarter. This requirement begins on July 15, 2023 and replaces an analogous report required by Session Law 2021-62, Section 3.5A, which was repealed by Session Law 2023-134, Section 9G.7A(a18). The transfers in this report were executed pursuant to this series of Session Laws.

Background

As a result of the Cardinal Innovations Healthcare (“Cardinal”) dissolution during SFY 2022 (2021-2022), and in adherence to and in compliance with Section 3.5.(b) of Session Law 2021-62, codified as G.S. 122C-115.3(e), DHHS determined Cardinal’s Fund Balance to be one-hundred fifty-one million, six hundred and seven thousand, seven-hundred ninety-seven dollars (\$151,607,797), of which one-hundred twenty million, nine-hundred and thirty-five dollars (\$120,935,000) was determined available for distribution to the remaining LME/MCOs. The remaining thirty million, six-hundred seventy-one thousand, seven-hundred ninety-seven dollars (\$30,671,797) were withheld for contingent liabilities resulting from the dissolution.

On March 18, 2022, DHHS granted authorization to Cardinal to transfer 80% of its available fund balance—\$96,748,000 of \$120,935,000—to applicable LME/MCOs subject to documents posted at <https://medicaid.ncdhhs.gov/transfer-area-authority-fund-balances/download?attachment>. The relevant statutory section is as follows:

Session Law 2021-62, Section 3.5.(b)/G.S. 122C-115.3(e)

(e) Any fund balance or risk reserve available to an area authority at the time of its dissolution that is not utilized to pay liabilities shall be transferred to one or more area authorities contracted to operate the 1915(b)/(c) Medicaid Waiver or a BH IDD tailored plan in all or a portion of the catchment area of the dissolved area authority, as directed by the Department.

The initial 80% distribution of Cardinal’s fund balance was transferred on March 22, 2022. The remaining 20% of the Cardinal fund balance available for distribution, totaling twenty-four million one-hundred and eighty-seven thousand dollars (\$24,187,000), was distributed to the LME/MCOs on March 31, 2022. Those transfers are documented below:

Initial Cardinal Fund Balance Distribution to LME/MCOs			
LME/MCO	Allocation % per Formula	80% Distribution on 3/22/22	20% Distribution on 3/31/22
Alliance	31.60%	\$30,569,798	\$7,642,450
Eastpointe	1.69%	\$1,637,120	\$409,280
Partners	25.81%	\$24,969,394	\$6,242,348

Sandhills	9.68%	\$9,365,818	\$2,341,455
Trillium	5.17%	\$5,000,168	\$1,250,042
Vaya	26.05%	\$25,205,702	\$6,301,425
Total	100%	\$96,748,000	\$24,187,000

As of January 21, 2025, DHHS tracked the remaining Cardinal fund balance, withheld for contingent liabilities, to be twenty-eight million nine hundred and sixty-eight thousand, six hundred and ninety dollars, and forty-eight cents (\$28,968,690.48).¹

In January 2025, DHHS authorized Vaya Health to retain nine million dollars (\$9,000,000) for one-time costs associated with Cardinal consolidation into Vaya Health. DHHS also approved Contractor's request to reserve four million dollars (\$4,000,000) for potential outstanding Cardinal liabilities until after the Cardinal audit is completed. Subtracting these two amounts from the January 21, 2025, balance left fifteen million nine hundred and sixty-eight thousand, six hundred and ninety dollars and forty-eight cents (\$15,968,690.48) in Cardinal Fund Balance for distribution to the LME/MCOs pursuant to G.S. 122C-115.6(a).

Calculations

The total percentage of the Cardinal Fund Balance to be allocated to each LME/MCO is based on county realignments arising from the consolidation of Trillium Health Resources, Sandhills Center, and Eastpointe Human Services and determined in accordance with the Fund Balance formula described at <https://medicaid.ncdhhs.gov/formulas-governing-transfer-risk-reserve-and-fund-balance/download?attachment>.

The fifteen million nine hundred and sixty-eight thousand, six hundred and ninety dollars and forty- eight cents (\$15,968,690.48) Cardinal Fund Balance identified above is to be allocated to the LME/MCO as follows:

Remaining Cardinal Fund Balance Distribution to LME/MCOs		
LME/MCO	% Allocation per Formula	Total \$ Allocation
Alliance Health	31.6%	\$5,046,106
Partners Health Management	31.2%	\$4,982,231
Trillium Health Resources	6.9%	\$1,101,840
Vaya Health	30.3%	\$4,838,513
Total	100%	\$15,968,690

¹ Initial remaining fund balance equated to \$30,671,797, however various runout activities related to the dissolution of Cardinal Innovations Healthcare resulted in a reduced total of \$28,968,690 available for distribution.

Funds Transferred During the Previous Quarter

Total Fund Balance Transfers:

Cardinal Fund Balance Transfers to LME/MCOs				
LME/MCO	% Allocation per Formula	Total \$ Allocation	Date of Approval	Date of Funds Transfer
Alliance	31.6%	\$5,046,106	2/21/2025	3/5/2025
Partners	31.2%	\$4,982,231	2/21/2025	3/5/2025
Trillium	6.9%	\$1,101,839	2/21/2025	3/5/2025
Vaya	30.3%	\$4,838,513	2/21/2025	3/5/2025
Total	100%	\$15,968,690		

Risk Reserve Transfers: Zero funds from Risk Reserve were transferred during the previous quarter (January 1, 2025 – March 31, 2025).

Appendix A: Session Law 2023-134, Section 9G.7A(a1)

AGENCY REQUESTED CHANGES/BEHAVIORAL HEALTH

SECTION 9G.7A.(a1) Part 2 of Article 4 of Chapter 122C of the General Statutes is amended by adding the following new sections to read:

...

"§ 122C-115.6. Transfer of area authority fund balance upon county realignment.

...

(f) Beginning July 15, 2023, and quarterly thereafter, the Department shall report to the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on Medicaid, and the Fiscal Research Division on any funds transferred as a result of county realignments during the previous quarter.

..."