North Carolina Medicaid Reform: Seizing Opportunities and Addressing Challenges

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North Carolina has made progress toward improving the health of its citizens, yet much more needs to be done. Now is the right time for the state to transform its Medicaid and North Carolina Health Choice programs into a managed care delivery system that gives providers more flexibility to deliver care that focuses on the whole person and benefits people’s lives beyond the medical setting. The North Carolina Department of Health and Human Services is focused on maximizing opportunities and managing challenges, and the department understands that collaboration of health care professionals and other stakeholders is essential to achieve the right results for North Carolinians.

North Carolina has seen progress toward its goal of becoming a healthier state. According to the 2015 America’s Health Rankings report [1], the state improved by 6 places to rank 31st nationally in terms of overall health measures—the state’s best 1-year ranking in 26 years. This report also ranked North Carolina 1st in childhood immunizations, with 80.8% of children aged 19–35 months receiving this essential preventive care [1].

While these are promising statistics, health care professionals, beneficiaries and their families, state leaders, the North Carolina Department of Health and Human Services (DHHS), and a wide variety of other stakeholders agree that the state has health care challenges that must be addressed before it can realize further significant improvements in health outcomes. For example, nearly 11% of the state’s adults have diabetes (rank: 33); low birth weight occurs in 8.8% of live births (rank: 40); and there are 7.2 infant deaths for every 1,000 live births (rank: 42) [1].

The reality is that, while North Carolina has achieved its best overall health ranking in more than 25 years, the state’s average rank over this 25-year period is 37th [1]. Despite debate over the best approach to improve health outcomes, there is widespread agreement that action must be taken now.

Seizing Opportunities

Medicaid transformation provides significant opportunities to drive sustainable health care improvements in North Carolina, starting with Medicaid and Health Choice delivery system initiatives.

First, this is an opportunity to shift to a person-centered model of care. Shifting programs from a medical model to a person-centered model will broaden and enhance care coor-
dination beyond primary care and will emphasize prevention and health promotion with attention to social determinants of health.

Second, this transformation will allow greater focus on value over volume. Specifically, programs will transition to a system that rewards better health and outcomes rather than incentivizing quantity and intensity of services.

Third, there will be more accountability for population health and costs. DHHS will partner with organizations that have the scale, scope, and resources to accept risk and accountability for quality outcomes and costs. By holding these plans accountable, DHHS expects to see significant reductions in avoidable emergency department visits and hospital admissions, as well as improvements in population health.

Fourth, the new system will introduce flexibility to cover more cost-effective interventions. PHPs will have the flexibility to provide more cost-effective services and interventions, including some that address social determinants of health. North Carolina cannot cover these services and interventions under the current model.

Fifth, there is an opportunity to foster innovation and collaboration. DHHS will encourage and support innovative payment models that recognize the role of providers in managing care and improving outcomes.

Sixth, the Medicaid transformation will aim to leverage and support community-based resources. Strengthening the connections between Medicaid health care services and those available in the community will allow all health care professionals to work together to identify and maximize available resources, thus creating better outcomes for patients and their families.

In addition to these opportunities, managed care will provide greater flexibility to begin addressing social deter-
minants of health, such as poverty and education [5]. In North Carolina, more than 24% of children and nearly 10% of senior citizens live in poverty [6], so addressing social determinants is a key to improving health outcomes, and studies have supported this approach [5].

To capitalize on opportunities available under a managed care delivery system, DHHS will develop innovative programs to build on the state’s unique strengths while also considering lessons from other states. For example, the Section 1115 waiver in Oregon allows for flexible spending as an element of its managed care program. This flexibility lets plans cover services that will lead to better health outcomes even if they are not defined in the Oregon Medicaid plan; such services include nutrition education, air conditioners, athletic shoes, transportation to a gym, crucial home repairs, and other services identified at the discretion of the care coordinator [7]. Coverage of these lower-cost services can increase a provider’s resources to more fully address the health needs of the Medicaid population.

Addressing the Challenges

Health care systems are complex, and North Carolina will benefit from the lessons of the 39 states that have already implemented managed care. North Carolina’s Medicaid transformation legislation (Session Law 2015-245) calls for a mix of 3 statewide plans and up to 12 regional plans across 6 regions. Medicaid beneficiaries have a variety of health care needs, and a choice of Medicaid plans allows for better customization to specific situations. The most effective delivery system can succeed only when designed with extensive participation and input from providers. This includes ensuring provider engagement and support. Providers will be
supported in the Medicaid transformation in several ways.

First, DHHS will work with PHPs and providers to minimize administrative burden. The PHP contracts will include provisions designed to lower provider burden, such as uniform credentialing, a standard preferred drug list, a common set of performance measures, and requirements for prompt payment.

Second, the Medicaid transformation legislation includes a provision for DHHS to set appropriate rate floors for in-network primary care physicians, specialty care physicians, and pharmacy dispensing fees. This provision will be an important tool to ensure that providers are supported under the transformed program.

Third, DHHS will ensure that support is available to all practices—large and small, private and public—to build on the success of the medical home model. Practice supports will include population management tools and clinical tool kits, quality measure reporting with peer comparison, provider-facing analytics for use in daily practice, quality improvement coaching, and behavioral health integration.

Fourth, the North Carolina Health Transformation Center (NCHTC) will help providers and PHPs achieve Medicaid transformation goals. The NCHTC will perform continuous quality improvement activities as the state’s outward-facing center of excellence for clinical and technical improvements. The NCHTC will promote continued partnerships with community-based providers and care organizations.

Fifth, North Carolina will use robust population health management tools that combine clinical and administrative claims data to better manage patient care, improve health outcomes, and more efficiently direct resources.

Sixth, DHHS will designate “essential providers” to secure safety-net and rural providers within PHP networks and will preserve federally qualified health center and rural health center payment rates using direct, wraparound payments from Medicaid. The Medicaid transformation plan proposes to extend this arrangement to additional safety-net providers such as local health departments.

Seventh, DHHS will expand crucial health workforce programs to ensure that Medicaid beneficiaries have access to essential services in rural and other underserved areas. The focus will be on community-based residency programs and health workforce education that emphasize ambulatory and preventive care to reduce long-term costs by providing higher-value health care.

Finally, to support provider transformation, Medicaid providers will be connected to the North Carolina Health Information Exchange network by February 2018. Providers involved with other state-funded health programs will be connected by June 2018.

In addition to the aforementioned initiatives, DHHS is also exploring other approaches to ease administrative burden, including those used in other states. For example, Georgia launched a centralized prior authorization portal in 2013 that provides a single platform for providers to submit prior authorization requests [8]. Similarly, in Tennessee, standards are being defined to ensure a common approach to episode-of-care-based payments across payers [9]. In another example, Kentucky implemented an automated Medicaid reconciliation process in 2014 to speed up wraparound payment to its federally qualified health centers [10].

Building the Right Reforms for North Carolina

DHHS will continue its long-standing commitment to listen to and seek feedback from stakeholders. The Medicaid transformation design process includes formal meetings with diverse stakeholder groups to discuss which approaches to specific Medicaid reform opportunities would be right to address North Carolina’s needs. This effort includes discussions on several topics: PHP requirements, including standardization across plans to minimize administrative burden on providers while allowing flexibility for innovation; a care and case management approach that builds on the current system; incentives to address social determinants of health; provider support to move toward value-based payment arrangements; and network and provider access requirements to ensure that beneficiaries can efficiently receive care.

In designing the transformed system, DHHS will build on past successes and account for lessons learned in North Carolina and other states. The objective is to develop creative approaches to build a service delivery system tailored to North Carolina’s needs that facilitates continued participation by providers and other stakeholders.

Collaboration and Advocacy

Session Law 2015-245 gives DHHS 18 months following federal approval of the Section 1115 waiver application to implement the Medicaid transformation plan. The time allotted allows DHHS to thoughtfully implement reform, engage with stakeholders, and use their input to design the program. Over the next few years, stakeholders will have many opportunities to participate in work groups and other activities as the details of the program are determined. The results of these work groups will enable DHHS to construct thorough PHP contracts to ensure that plans include the services that providers need to maintain and grow their businesses while delivering high-quality care to beneficiaries.

Conclusion

North Carolina is fortunate to have many dedicated health professionals who are committed to taking care of people who receive Medicaid. These health professionals understand that improving health outcomes means helping people lead a healthy life—providing care when they are ill and supporting them when they are healthy. Through collaborative transformation planning and delivery system design, the Medicaid and North Carolina Health Choice programs will provide the foundation to improve the health of about 20% of the state’s population, and these programs will
hopefully serve as examples for other states to emulate.

DHHS wants to hear from everyone interested in improving health care throughout the Medicaid transformation and beyond. DHHS is committed to understanding concerns and working together to find solutions. Past successes have depended greatly on the input, leadership, and partnership of the health care community. For information about Medicaid reform, including opportunities to share comments or join work groups when available, visit the DHHS Medicaid reform website at www.ncdhhs.nc.gov/nc-medic aid-reform. NCMJ

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