



Medicaid Managed Care
Proposed Policy Paper

North Carolina Medicaid Managed Care Updates

North Carolina Department of
Health and Human Services

July 23, 2018

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This document is part of a series of policy papers that the Department of Health and Human Services scheduled for release from late 2017 through mid-2018 to provide additional details to stakeholders regarding the transition of North Carolina Medicaid and NC Health Choice programs to a managed care model. Some topics mentioned in this document may be covered in more detail in other policy papers in the series. For more information on the Department’s proposal, stakeholders are encouraged to review the Amended North Carolina Section 1115 Demonstration Waiver Application and previously released policy papers available at dhhs.gov/nc-medicaid-transformation.

Input is welcome and appreciated. Send comments to Medicaid.Transformation@dhhs.nc.gov.

I. Overview

Per North Carolina Session Law 2015-245, as amended,¹ the North Carolina Department of Health and Human Services (Department) may enter into capitated contracts with two types of entities: Commercial Plans (CPs) and Provider-Led Entities (PLEs), collectively referred to as Prepaid Health Plans (PHPs). Session Law 2015-245, as amended by Session Law 2016-121 and Session Law 2018-48, requires the Department to award four statewide contracts and up to 12 regional contracts. The Department may contract with CPs or PLEs for statewide contracts, but can only contract with PLEs for regional contracts.

The Department will issue the PHP Request for Proposal (RFP) on a timeline that complies with the requirements of Session Law 2015-245, as amended by Session Law 2018-49.²

The information in this policy paper is specific to PHPs offering Medicaid Managed Care Standard Benefit Plans, and supplements information released in previous papers posted on the Department's Medicaid Transformation website.³ This paper covers considerations for PLEs, a revision to the Department's auto-assignment approach, treatment of partnerships and subcontracting arrangements in the evaluation of PHP RFP responses, and requirements to protect the financial interests of the State and its stakeholders.

II. Considerations Specific to PLEs

The Department will issue one PHP RFP for selection and award of both statewide and regional contracts. Entities meeting the qualification requirements specific to PLEs, consistent with Session Law 2015-245, as amended by Session Law 2016-121, may choose in their proposal responses to be considered for both statewide and regional contracts. If a PLE is awarded one of the four statewide contracts, that PLE will no longer be considered for award of a regional contract.

The Department defined six PHP regions covering North Carolina. A PLE must cover any region in its entirety in which the PLE is contracted. Actuarial analysis has indicated that to best ensure the financial and administrative viability of all contracted PHPs, the Department should establish an aggregated minimum of 45,000 to 50,000 lives for a given entity across all regions it is awarded. Given the increase in the number of statewide contracts that will now be awarded and the projected distribution of Medicaid Managed Care enrollment across the six regions, a PLE that bids on only one region may find reaching the minimum enrollment challenging and would be at an increased risk for financial instability. Therefore, the Department strongly encourages PLEs to bid on more than one region (per Session Law 2015-245, the proposed regions must be contiguous). The Department will cap the number of regional contracts awarded at one for each of Regions 1 and 6, and two for each of Regions 2, 3, 4 and 5. The Department will award contracts in the best interest of the State, which includes consideration for ensuring each PHP has a viable risk pool.

III. Enrollment Ceiling Revision

To account for the increase in required statewide contracts from three to four, and in response to feedback received, the Department has revised the enrollment ceiling to be used in auto-assignment from 50 percent

¹ Session Law 2015-245 has been amended by S.L. 2016-121; Section 11H.17.(a) of S.L. 2017-57, Part IV of S.L. 2017-186; Section 11H.10.(c) of S.L. 2018-5; Sections 4 - 6 of S.L. 2018-49; and S.L. 2018-48.

² <https://www.ncleg.net/Sessions/2017/Bills/House/PDF/H156v4.pdf>

³ <https://www.ncdhhs.gov/concept-papers>

market share to 40 percent market share per region. This will promote an opportunity for an equitable distribution of managed care enrollment among plans. Additional details on the auto-assignment process can be found in the “Prepaid Health Plans in North Carolina Medicaid Managed Care”⁴ policy paper.

IV. Evaluation of PHP Partners and Subcontractors

The Department seeks the most qualified health plans to serve its North Carolina Medicaid and NC Health Choice beneficiaries. To the extent entities responding to the PHP RFP are proposing to partner or subcontract with other entities to perform Medicaid Managed Care core functions, the RFP response will be evaluated based on the experience of the entity proposed to perform that function and their ability to integrate with the lead entity. Core Medicaid Managed Care operations will include but not be limited to:

- Managing Medicaid Managed Care beneficiary lives (including member services and the administration of clinical benefits and services);
- Provider network management;
- Performing care management functions;
- Processing and paying claims; and
- Assuming financial risk through capitated contracts.

Awarded PHPs will be required to maintain an Operations Plan identifying which entities are performing which core Medicaid Managed Care operations, and submit proposed changes to the Department for approval in advance of the change.

V. Performance Bonds

To protect the interests of North Carolina, and of providers serving Medicaid Managed Care members, PHPs will be required to furnish a performance bond in the amount of \$5 million for each region in which the PHP is contracted. This is in addition to potential licensure, solvency and other financial requirements described in the “Prepaid Health Plans in North Carolina Medicaid Managed Care”⁵ policy paper or required by law.

The performance bond will be used for the following purposes in the event of a default by the PHP or contract termination before the end of the contract period:

- Reimbursing the Department for any administrative expenses incurred by reason of a breach of the PHP's obligations, including expenses incurred after termination of the PHP contract;
- Paying any damages sustained by providers, non-contracting providers, non-providers and other subcontractors by reason of a breach of the PHP's obligations;
- Reimbursing the Department for any payments made by the Department on behalf of the PHP, including payment of the PHP's obligations to providers; and

⁴ https://files.nc.gov/ncdhhs/documents/PHPs-in-Medicaid-Managed-Care-PolicyPaper_revFINAL_20180516.pdf

⁵ https://files.nc.gov/ncdhhs/documents/PHPs-in-Medicaid-Managed-Care-PolicyPaper_revFINAL_20180516.pdf

- In the event the PHP terminates the contract before the end of the contract period, a claim against the bond may be made by the Department to cover the costs of issuing a new solicitation, and selecting a new PHP or transitioning members to another PHP.

Additional details on the requirements of PHPs to participate in Medicaid Managed Care will be defined in the upcoming release of the PHP RFP.