March 21, 2016

SEN T VIA ELECTRONIC MAIL

The Honorable Marilyn Avila, Co-Chair
Joint Legislative Oversight Committee on
Health and Human Services
North Carolina General Assembly
Room 2217, Legislative Building
Raleigh, NC 27601

The Honorable Louis Pate
Joint Legislative Oversight Committee on
Health and Human Services
North Carolina General Assembly
Room 1028, Legislative Building
Raleigh, NC 27601

The Honorable Josh Dobson, Co-Chair
Joint Legislative Oversight Committee on
Health and Human Services
North Carolina General Assembly
Room 301N, Legislative Office Building
Raleigh, NC 27603-5925

Dear Chairmen:

Section 12F.2.(c) of North Carolina Session Law 2015-241, enacted on September 18, 2015, requires the Department of Health and Human Services (Department) to modify the monthly reporting package submitted by the LME/MCOs to the Department to include revenues and expenditures for the State funding sources for single stream, intellectual and developmental disability, and substance abuse services on Schedule D2. Additionally, the Department is required to modify appropriate schedules in the LME/MCO monthly reporting package to include unduplicated recipients and encounters in the same level of detail included in each D schedule for each source of funding for the reporting for the current and previous year’s month and year to date periods. Further, the Department is also to submit these reports to the Joint Legislative Oversight Committee on Health and Human Services (JLOC) by the third Monday of each month beginning in October 2015.

The Department appreciates and shares the desire for more detailed, consolidated monthly expenditure reports on the part of LME/MCOs for single stream state funds. As such, the Department’s Division of Mental Health, Developmental Disabilities and Substance Abuse Services (DMHDDSAS), in coordination with the Division of Medical Assistance (DMA), has initiated the process of revising Schedule D. Draft revisions to the state funded portion of Schedule D2, and the addition of schedules that show unduplicated recipients of mental health disorders, intellectual and developmental...
disability, and substance use disorder services were completed and distributed to the LME/MCOs in December 2015. As the LME/MCOs began to attempt to implement the changes it became apparent that the various financial reporting systems could not be immediately reprogrammed to satisfy the requirements. Therefore, the Department revisited the most appropriate approach to effectively modify the reporting package so that it most accurately satisfies the legislative intent of the reporting requirements.

DMHDDSAS has undertaken the project, in conjunction with the Finance Officers of the LME/MCOs, to revisit the structure of Schedule D for both Medicaid and State fund reporting to bring the two processes into greater alignment and to support the reporting specificity required by the legislation. This project is of greater scope than originally understood and will require the remainder of the current fiscal year to pursue.

Since the report to the JLOC submitted on February 15, 2016, staff from DMHDDSAS have met with the Finance Officers of the LME/MCOs and made progress towards a unified reporting process to satisfy the requirements for reporting to Schedule D2. Differences in some reporting elements across LME/MCOs were identified and modifications to some billing and finance systems are in process. These initial changes will be reviewed and additional reporting adjustments determined in subsequent meetings of the group.

The Department continues to closely monitor the LME/MCOs’ accountability for the Maintenance of Effort and continued level of services as described in Section 12F.2.(b) of NC Session Law 2015-241. The reported information for compliance with these requirements, as of January 31, 2016, is attached. The graph in the attachment uses a red line to depict the appropriate amount of funding that should have been expended by January 31, 2016 in order to demonstrate that funding levels are the same as those for the same timeframe in state fiscal year 2015 (58%). The bars growing from the horizontal axis represent the individual performance of each LME/MCO.

The LME/MCOs who appear to demonstrate a delay in reaching the required levels of expenditure are investigating issues with their internal billing and reporting systems. DMHDDSAS has sent each one that has a reported percentage of spending that is less than the target a Plan of Action letter requiring the LME/MCOs to explain and adjust practices to be in compliance with the legislation.

DMHDDSAS will continue to monitor all of the legislative requirements from Section 12F and provide updates to the JLOC monthly.
Should you have any questions, please contact me at (919) 733-7011.

Sincerely,

Courtney Cantrell, PhD
Division of Mental Health, Developmental Disabilities and Substance Abuse Services
Director

Attachment

cc:  Brian Perkins  Hannah Tedder  Dave Richard
    Pam Kilpatrick  Rod Davis  Theresa Matula
    Marjorie Donaldson  reports@ncleg.net  Joyce Jones
    Kolt Ulm  Andy Munn  Courtney Cantrell
    Steve Owen  Susan Jacobs  Trey Sutten
    Sarah Pfau  Denise Thomas  Pat Porter
**FY16 - Reported Expenditures of Single Stream Funds by LME/MCO**

Reported Expenditures through month: **January**

<table>
<thead>
<tr>
<th>LME/MCO</th>
<th>Reported SS Earnings</th>
<th>SS Allocation</th>
<th>Service Level Req.</th>
<th>Reported SS as % of Alloc</th>
<th>Reported SS as % of Svc Level Req</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alliance</td>
<td>$25,124,883</td>
<td>$28,541,140</td>
<td>$38,535,086</td>
<td>88%</td>
<td>65%</td>
</tr>
<tr>
<td>Cardinal</td>
<td>$42,343,867</td>
<td>$51,814,939</td>
<td>$55,828,499</td>
<td>82%</td>
<td>76%</td>
</tr>
<tr>
<td>CenterPoint</td>
<td>$8,918,572</td>
<td>$11,459,462</td>
<td>$14,285,113</td>
<td>78%</td>
<td>62%</td>
</tr>
<tr>
<td>Eastpointe</td>
<td>$9,106,305</td>
<td>$18,608,777</td>
<td>$26,027,763</td>
<td>49%</td>
<td>35%</td>
</tr>
<tr>
<td>Partners</td>
<td>$16,069,234</td>
<td>$18,478,148</td>
<td>$28,392,683</td>
<td>87%</td>
<td>57%</td>
</tr>
<tr>
<td>Sandhills</td>
<td>$17,485,019</td>
<td>$11,568,278</td>
<td>$35,257,479</td>
<td>151%</td>
<td>50%</td>
</tr>
<tr>
<td>Smoky</td>
<td>$22,575,197</td>
<td>$35,820,531</td>
<td>$41,883,208</td>
<td>53%</td>
<td>54%</td>
</tr>
<tr>
<td>Trillium</td>
<td>$17,655,815</td>
<td>$30,206,488</td>
<td>$38,290,476</td>
<td>58%</td>
<td>46%</td>
</tr>
<tr>
<td>Statewide</td>
<td>$159,278,891</td>
<td>$206,497,763</td>
<td>$278,500,307</td>
<td>77%</td>
<td>57%</td>
</tr>
</tbody>
</table>

*Pink Highlights >2% Below Target*

**FY16 YTD - Reported Single Stream Expenditures as % of Annual Service Requirement**

- **Alliance**: 65%
- **Cardinal**: 76%
- **CenterPoint**: 62%
- **Eastpointe**: 35%
- **Partners**: 57%
- **Sandhills**: 50%
- **Smoky**: 54%
- **Trillium**: 46%
- **Statewide**: 57%

*Reported SS Earnings - Service Level Req.*

3/3/2016