North Carolina

Medicaid and
NC Health Choice

Annual Report for State Fiscal Year 2017
July 1, 2016 – June 30, 2017

Building a healthier
North Carolina.
Division of Medical Assistance

North Carolina’s Health Care System Priorities

Improve the health and well-being of North Carolinians

Focus on the health of the whole person

Support providers in delivering high-quality care at good value

North Carolina’s Goals for Medicaid Managed Care

Measurably improve health

Maximize value to ensure program sustainability

Increase access to care

State of North Carolina • Roy Cooper, Governor
Department of Health and Human Services • Dr. Mandy Cohen, Secretary
ncdhhs.gov

Division of Medical Assistance • dma.ncdhhs.gov
Medicaid Transformation • ncdhhs.gov/nc-medicaid-transformation

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12/2017
Message from Dave Richard
Deputy Secretary for the Division of Medical Assistance

On behalf of the Division of Medical Assistance, the Division of Health Benefits and the North Carolina Department of Health and Human Services, I am pleased to share the Medicaid Annual Report for State Fiscal Year 2017 (July 1, 2016 through June 30, 2017).

In SFY 2017, our Medicaid and NC Health Choice programs continued to be financially strong, finishing the year with $86 million in cash-on-hand. Our success in budgeting is the result of the dedication of our Medicaid staff, in conjunction with our Department Budget and Finance staff, in creating an accurate forecast and day-to-day work in monitoring and oversight. We are proud of this success because it allows us to provide continued quality service to our Medicaid beneficiaries.

Throughout this past fiscal year our team continued to manage our program while beginning the work of Medicaid transformation. Medicaid plays a vital role in the lives of many North Carolina families, covering more than half the births and more than half the children in North Carolina, meeting the needs of our disabled residents, and providing dignity and care to thousands of our senior citizens. Our program literally touches lives from birth to death and every day in between.

In the past year, we have made a number of improvements to our program: introduced new safe prescriber policies requiring prior approval of certain analgesic opioids to combat the opioid crisis; rolled out the first set of five interactive Medicaid dashboards to provide a visual interpretation of complex Medicaid data; launched a consumer-directed care model that provides families and beneficiaries with greater flexibility and autonomy to obtain services in home- and community-based care; and added 320 waiver slots for Alzheimer’s and related disorders to the Community Alternatives Program for Disabled Adults.

Across the Department and in Medicaid, our team has been working daily to bring to life the vision of Medicaid transformation first outlined in Session Law 2015-245. We are working to create a program that is innovative and highly effective in addressing medical and non-medical drivers of health to improve the health and well-being of North Carolinians.

This effort has resulted in unprecedented collaboration throughout the Department and our incredible stakeholder community. As we publish this report, we are actively engaged with the federal Centers for Medicare & Medicaid Services to secure approval of our amended waiver request, and are driving the internal change needed to implement this landmark transformation. More details about our progress on this effort are included in this annual report.

These accomplishments, and many others, were possible because of the willingness of our stakeholders to openly collaborate to improve existing processes, programs and services, and to provide significant input on the design of the upcoming managed care program. We thank you for helping us design the vision and working alongside our team to improve the health and quality of life for North Carolinians. We look forward to our continued collaboration as we build the best Medicaid program possible for North Carolina.
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Note: Exhibits throughout the SFY 2017 Medicaid Annual Report represent data from the following sources: Financials from NCAS BD-701; beneficiary count and geographic distribution from Monthly Enrollment Report, DMA Business Information Office; provider count and beneficiary age and gender from customer data retrievals, DMA Business Information Office; claims processed and amount paid from DHHS Information Technology Division.
About the Annual Report

The North Carolina Medicaid and NC Health Choice Annual Report for State Fiscal Year 2017 is an overview of the primary accomplishments and financial results of the Medicaid and NC Health Choice programs, administered by the Department of Health and Human Services’ Division of Medical Assistance.

All situational profiles and personal quotes were provided with permission of the beneficiary or other stakeholder to whom they are attributed.

Prior Medicaid Annual Reports are on the Medicaid website at dma.ncdhhs.gov/dma/reports. Additional information on the Department’s transformation to Medicaid managed care is at ncdhhs.gov/nc-medicaid-transformation.

Please call the Division of Medical Assistance at (919) 855-4100 with questions or requests for more information.
What is “Medicaid”? 

Medicaid provides health coverage to eligible low-income adults, children, pregnant women, seniors and people with disabilities. The program is jointly funded by North Carolina and the federal government. All states offer some form of Medicaid coverage.

What is “NC Health Choice”? 

NC Health Choice is our state’s name for the Children’s Health Insurance Program (CHIP). It provides health coverage to eligible children in addition to Medicaid. NC Health Choice is jointly funded by North Carolina and the federal government. All states offer some form of CHIP.
Executive Summary

In state fiscal year 2017 (July 1, 2016 through June 30, 2017), the North Carolina Medicaid and NC Health Choice programs continued to provide our most vulnerable citizens with access to quality health care services and programs while improving programs, operations and quality assurance, and continued to prepare for the transition to managed care – all to build a healthier North Carolina.
EXHIBIT 1

Snapshot: North Carolina Medicaid and NC Health Choice – State Fiscal Year 2017

<table>
<thead>
<tr>
<th>Financials ($B)</th>
<th>Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditures $14.3</td>
<td>Medicaid Beneficiaries¹ 2.0M</td>
</tr>
<tr>
<td>Federal Revenue $9.2</td>
<td>NC Health Choice Beneficiaries¹ 0.09M</td>
</tr>
<tr>
<td>Other Revenue $1.6</td>
<td>Providers² 69K</td>
</tr>
<tr>
<td>State Appropriations $3.5</td>
<td>NCTracks Claims Processed³ 229M</td>
</tr>
</tbody>
</table>

¹ Average monthly beneficiaries
² Provider count represents the number of unique National Provider Identifiers registered in the DMA system
³ 229M claims processed represents $11.4B paid through NCTracks

Sources: See page iii
High-level financial results
$86 million under budget

North Carolina’s Medicaid budget finished with cash-on-hand for the fourth consecutive state fiscal year. Actual state appropriations for the Medicaid and NC Health Choice programs totaled nearly $3.5 billion in SFY 2017, about the same amount as last state fiscal year, bringing in the programs at $86 million under budget. These programs provided health care coverage to more than two million people in North Carolina, a slight increase over last year.
Accomplishments
A year of sound results for the Medicaid and NC Health Choice programs

Improvements, innovations, collaboration and effective use of taxpayer dollars ensured SFY 2017 was a year of sound results that benefited the people and the state of North Carolina. Highlights include:

- New safe prescriber policies in the Medicaid pharmacy program, which require prior approval of certain analgesic opioids, were established as an additional way to combat the opioid crisis.

- The first set of five interactive Medicaid dashboards launched, providing visual interpretation and interactive options for stakeholders to use when reviewing complex Medicaid data.

- A consumer-directed care model was introduced to provide families and beneficiaries with greater flexibility and autonomy to obtain services in home- and community-based care.

- The 320 slots granted by the General Assembly for Alzheimer’s and related disorders was successfully added to the Community Alternatives Program for Disabled Adults, providing increased access to services for this population.

- Transformation activities continued to gather additional feedback from and increase collaboration with stakeholders, and to provide details needed to begin refining the Section 1115 waiver application.
A look at SFY 2018

The Medicaid team, continuing its valuable partnerships with stakeholders across North Carolina and throughout the Department, will focus in SFY 2018 on opportunities to improve medical and non-medical drivers of health. Medicaid anticipates the following topics for the next state fiscal year:

- **Medicaid transformation** will deliver on several significant milestones, including submission of an amended Section 1115 demonstration waiver application reflecting stakeholder input received since the initial application was submitted in June 2016. Before the end of SFY 2018, it is anticipated that waiver discussions with CMS will be completed and the application will be approved.

- **The opioid epidemic** will continue to be aggressively addressed throughout the state, with Medicaid introducing tactics to reduce the oversupply of prescription opioids, the diversion of prescription drugs and increasing community awareness and prevention.

- **LME/MCO system oversight** will be a focus of the Department to ensure organizations effectively use public funds to provide essential behavioral health services to consumers and their families.

- **Innovations waiver slots** will be implemented to increase access to services and support for individuals with intellectual and developmental disabilities, and provide more choice, control and community integration as an alternative to institutionalization.

More information on program services and practices for SFY 2017 is available in “Overview of Medicaid Programs and Services” on page 34 and on the Department’s Medicaid website at dma.ncdhhs.gov.
Financial Review

Details of Medicaid and NC Health Choice
SFY 2017 financial results
Factors affecting SFY 2017 financial results
Forecast to finish within budget was realized

Medicaid’s analysis of trends and ongoing results, as reported to the General Assembly in late 2016, was on target including ending the year within budget. Several factors affected this favorable SFY 2017 variance, which was closer to the forecasted budget than in the past few years:

- Medicaid cost per participant, which was slightly less than the prior year due to growth in enrollment in younger and healthier Medicaid population;
- Legislative initiatives, programming and rate changes;
- Fair negotiations with providers while maintaining good stewardship of taxpayer dollars; and
- Increased Federal Medical Assistance Percentages (federal share of costs).

Expenditure by funding level
State share was $3.5 billion out of $14.3 billion

Medicaid and NC Health Choice expenditures were nearly $14.3 billion in SFY 2017. Of this amount, approximately 75% was service expenditure, such as claims, premiums and capitation payments. Service expenditure is divided into different categories of service. Pharmacy rebates flow into a different fund, but are combined and netted with claims expenditure for annual reporting purposes. The net cost for drugs is more relevant to operations.

Other significant funds:

- **Supplemental hospital payments** reimburse hospitals for the treatment of uninsured patients or other significant costs to hospitals.
- **Cost settlements** are payments or recoveries to reconcile whether a participating hospital was paid a predetermined reimbursement rate for inpatient and outpatient costs.
- **Community Care of North Carolina** is the primary care case management health care plan for most North Carolina Medicaid beneficiaries.
Other costs include contract payments, Medicaid administrative costs, health information technology payments and accounting adjustments due to audits or financial activities affecting a prior year.

Some operations bring revenue into Medicaid. For example, program integrity ensures claims are appropriately and accurately paid, and third-party liability recovers funds paid by Medicaid for incidents that should have been covered by other insurers.
# Medical Assistance Payments
## By Category of Service

EXHIBIT 4

<table>
<thead>
<tr>
<th>Service Category</th>
<th>Unduplicated Recipients⁴</th>
<th>Claims &amp; Premiums ($M)</th>
<th>Cost per Recipient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Management Entity/Managed Care Organizations</td>
<td>1,868,434</td>
<td>$2,629.3</td>
<td>$1,407.2</td>
</tr>
<tr>
<td>Skilled Nursing Facilities</td>
<td>43,260</td>
<td>1,229.3</td>
<td>28,417.5</td>
</tr>
<tr>
<td>Physician</td>
<td>1,806,187</td>
<td>1,055.8</td>
<td>584.5</td>
</tr>
<tr>
<td>Hospital Inpatient⁵</td>
<td>240,749</td>
<td>983.4</td>
<td>4,084.9</td>
</tr>
<tr>
<td>Medicare Aid</td>
<td>266,566</td>
<td>849.3</td>
<td>3,186.1</td>
</tr>
<tr>
<td>Pharmacy⁶</td>
<td>1,319,525</td>
<td>804.2</td>
<td>609.5</td>
</tr>
<tr>
<td>Hospital Outpatient</td>
<td>709,344</td>
<td>538.4</td>
<td>759.0</td>
</tr>
<tr>
<td>Personal Care Services</td>
<td>45,118</td>
<td>419.3</td>
<td>9,292.7</td>
</tr>
<tr>
<td>Hospital Emergency Department</td>
<td>605,140</td>
<td>387.5</td>
<td>640.3</td>
</tr>
<tr>
<td>Dental</td>
<td>921,835</td>
<td>385.3</td>
<td>418.0</td>
</tr>
<tr>
<td>Community Alternatives Program for Disabled Adults</td>
<td>12,022</td>
<td>252.1</td>
<td>20,968.2</td>
</tr>
<tr>
<td>Durable Medical Equipment</td>
<td>244,362</td>
<td>212.9</td>
<td>871.2</td>
</tr>
<tr>
<td>Licensed Non-Physician</td>
<td>86,426</td>
<td>154.2</td>
<td>1,784.1</td>
</tr>
<tr>
<td>Home Health</td>
<td>24,145</td>
<td>143.9</td>
<td>5,958.2</td>
</tr>
<tr>
<td>Clinic</td>
<td>375,203</td>
<td>129.3</td>
<td>344.5</td>
</tr>
<tr>
<td>Lab &amp; X-ray</td>
<td>473,905</td>
<td>113.0</td>
<td>238.4</td>
</tr>
<tr>
<td>Community Alternatives Program for Children</td>
<td>2,510</td>
<td>98.1</td>
<td>39,082.0</td>
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<tr>
<td>Health Check</td>
<td>742,397</td>
<td>96.1</td>
<td>129.4</td>
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<tr>
<td>Program of All-Inclusive Care for the Elderly</td>
<td>2,410</td>
<td>73.3</td>
<td>30,413.4</td>
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<tr>
<td>Hospice</td>
<td>7,246</td>
<td>72.2</td>
<td>9,966.7</td>
</tr>
<tr>
<td>Non-Emergency Transportation⁷</td>
<td>14,551</td>
<td>60.2</td>
<td>4,135.2</td>
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<tr>
<td>Optical</td>
<td>286,271</td>
<td>27.1</td>
<td>94.5</td>
</tr>
<tr>
<td>Ambulance</td>
<td>165,529</td>
<td>24.2</td>
<td>146.2</td>
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<tr>
<td>Ambulatory Surgery Center</td>
<td>37,394</td>
<td>16.5</td>
<td>440.8</td>
</tr>
<tr>
<td>Other Services</td>
<td>1,722,789</td>
<td>180.5</td>
<td>104.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,324,612</strong></td>
<td><strong>$10,935.2</strong></td>
<td><strong>$4,704.1</strong></td>
</tr>
</tbody>
</table>

⁴ “Unduplicated recipients” means individuals are counted once to avoid multiple counts of a single person. Column total represents the number of unique individuals served across all service categories, not the total of individuals served within each category. Some individuals may enter and exit one or more service categories on multiple occasions throughout the state fiscal year depending on eligibility status.

⁵ Excludes supplemental hospital payment programs like the Medicaid Reimbursement Initiative

⁶ Claims expenditure is net of drug rebates

⁷ Unduplicated recipient data not available when SFY 2017 Annual Report was published
Managing Budget, Cost and Health Care Needs

Being good stewards of taxpayer dollars
Medicaid Transformation to Managed Care
Collaboration expanded as the Department builds its proposed program design for Medicaid managed care.

SFY 2017 saw continued progress on the multi-year Medicaid managed care transformation project, initiated by Session Law 2015-245. Using the working platform created last year to support the extensive transformation process, SFY 2017 focused research on specific topics and developing the Department’s vision for its proposed managed care program design.

The Department expanded its collaboration with a wide variety of stakeholder groups, including beneficiaries, providers, advocates, Medicaid staff, health plans and hospital systems, to gather input and build more detail into the program design.

Activities involving stakeholders and the Department included:

- Holding public hearings across the state and inviting written feedback in March and April 2017 to receive feedback on the best ways to improve the health and quality of life for North Carolinians, and to listen to the suggestions and concerns of the public;

- Continuing to work with the Dual Eligibles Advisory Committee, receiving its final recommendations, and preparing and submitting to the General Assembly a long-term strategy to transition the dual eligible population to managed care;

- Holding program design work sessions on specific areas of managed care, including cataloguing existing Medicaid fee-for-service business processes to identify those that would stay the same, need modification, or be added to the Medicaid administrative function in a transition to managed care; and

- Engaging the North Carolina Institute of Medicine to coordinate research into health quality metrics recognized by experts throughout the nation that best measure and track improving health outcomes through managed care.

The input received during these extensive outreach efforts, along with other discussions since the submission of the initial waiver in June 2016, was compiled and used by the Department to begin development of a detailed proposed program design to be issued in fall 2017.
Finance
Transparent budget and forecasting methodologies and collaboration with stakeholders has contributed to the Medicaid budget ending with cash-on-hand for four consecutive state fiscal years.

Over the past few years, Medicaid has expanded the capacity of its finance function to address the needs of today’s ever-changing health care environment, provide greater transparency of budget and forecasting methods, and increase collaboration with stakeholders.

Additionally, the finance team continued to work closely with Medicaid program teams to understand and anticipate specific factors that could affect budgetary needs.

These efforts have created a financial program model that greatly contributed to Medicaid finishing under budget for four consecutive state fiscal years.

The Medicaid Finance section includes the following units:

- **Audit** reviews and audits annual Medicaid cost reports submitted by a variety of providers, including hospitals, long-term care facilities, federally qualified health centers, rural health clinics, local health departments, local education agencies, ambulance services, and state-owned and -operated institutions.

- **Provider Reimbursement** primarily establishes reimbursement methodologies that comply with the Centers for Medicare & Medicaid Services’ regulations and legislative authority. Provider Reimbursement develops reasonable reimbursement rates for health care services that consider providers’ business operations and the Medicaid budget.
rates for the numerous Medicaid covered health care services. This unit also administers the financial implementation of the 1915(b)(c) waiver, including financial monitoring and oversight of the LME/MCOs.

- **Financial Planning & Analysis** develops internal and external management reporting, quantifies the impact of program and policy changes, responds to ad hoc stakeholder requests, analyzes financial trends and variances, and provides executive management with financial observations that inform and assist with biennium budget development.

- **Budget** develops the biennium and continuation budgets. This unit also proactively monitors spending versus budget, revises budget amounts based on latest forecasts, and engages with Medicaid program and service representatives to understand changes that may impact overall budget results.

- **Finance & Accounting** maintains accurate financial records, tracks payments and receipts, and manages federal reporting requirements to the Centers for Medicare & Medicaid Services.

- **Procurement and Contracts** develops and submits requests to procure goods and services required to carry out Medicaid responsibilities by vendor sources through e-Procurement requisitions; strategic sourcing research; request for proposals, information and quotes; contract development; contract lifecycle and vendor management; and submission for issuance of purchase order or approval to award.
Pharmacy

Proactive collaboration with prescribers was the key to a strategic and thoughtful balance of prescription drug access with cost.

Prescription drugs play a significant and increasing role in maintaining and improving health, treating illnesses and improving quality of life. While groundbreaking research continues to lead to new and more effective medications to address a wider range of diseases, many have a significant cost.

The Medicaid pharmacy program balances the health of beneficiaries and the cost of care through collaboration. Teaming up with clinical advisors and the provider community enables the careful selection of drugs for the Medicaid preferred drug list (PDL) and ensures access to the right drugs at the most advantageous cost. The result is a pharmacy benefit that delivers the best overall value to beneficiaries, providers and the state.

About the Medicaid and NC Health Choice Preferred Drug List

Authorized by the General Assembly in 2009, the Department established the Medicaid and NC Health Choice PDL to ensure beneficiary access to prescriptions that maximize health outcomes. In 2010, the state joined the National Medicaid Pooling Initiative to make the most of pharmaceutical purchasing power and rebate opportunities. A combination of these efforts has resulted in ongoing savings to North Carolina.

The PDL is reviewed and updated annually. Classes of therapeutic drugs for which the manufacturer provides a supplemental rebate are considered for inclusion on the list. New-to-market drugs are added on a quarterly basis, first being included on Medicaid PDL and then added to NC Health Choice PDL.

How Medicaid Serves the People and Communities of North Carolina

The Pharmacy Program:

- Consistently saves taxpayer dollars: $190 million over five years
- Teams up with those who prescribe medicines to offer the right drugs at the best cost; delivering overall value to beneficiaries, providers and the state
- Supports initiatives to improve the quality of life in North Carolina, including chronic disease management and the fight against the opioid epidemic
designated as non-preferred until reviewed. Diabetic supplies may also be included on the list.

Medicaid provides an annual report that evaluates the overall impact of the PDL and the supplemental rebate program. PDL annual reports are on the Medicaid website at dma.ncdhhs.gov/document/pdl-annual-report-archive.

**SFY 2017 Accomplishments**

- Medicaid’s PDL helped save more than $550 million in federal and state funds over five years, from SFY 2011 through SFY 2015 - and more savings are expected as the program continues. This was achieved with no significant differences in use of medical services when comparing beneficiaries impacted by the PDL program to those not impacted by the PDL program for some of the most commonly used therapeutic drug categories.

- A PDL compliance rate of 95.2%, along with compliance data for hypertension and diabetes management, indicated that the right medications are included on the PDL and are covered by Medicaid.

- Drug rebates of $1.2 billion reflect the thorough Medicaid process to manage costs while ensuring a comprehensive array of medications is available to providers for their patients.

- The Medicaid pharmacy program supported the battle against opioid use by establishing new safe prescribing policies that require prior approval for certain opioid analgesic doses.
Compliance and Program Integrity

The Office of Compliance and Program Integrity (OCPI) ensures compliance, efficiency and accountability by detecting and preventing fraud, waste and abuse.

OCPI ensures dollars are paid appropriately for Medicaid services by using claims reviews and investigations, implementing recoveries, pursuing recoupments, and aggressively identifying other opportunities for cost avoidance.

OCPI also protects beneficiary rights with respect to the privacy of health records, as required under the Health Insurance Portability and Accountability Act (HIPAA) of 1996.

**SFY 2017 Accomplishments**

- Completed preliminary reviews for 3,152 individual complaints through these sources, of which 1,023 cases were referred for further investigation within OCPI;
- Performed prepayment reviews that resulted in denied or reduced claiming representing $13,998,835 in reduced costs to the state;
- Made 58 referrals to the North Carolina Attorney General’s Office for criminal or civil investigation;
- Recovered $7,147,153 from post-payment review activities;
- Established an Audit Resolutions team to provide streamlined audit engagement process across North Carolina Medicaid sections; and
- Streamlined intake to expedite transfer of calls to appropriate resource.

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**How Medicaid Serves the People and Communities of North Carolina**

The Office of Compliance and Program Integrity:

- Saves taxpayer dollars to be used on other Medicaid health care services
- Provides confidence that providers are delivering promised services to beneficiaries
- Responds to consumer complaints related to fraud, waste and abuse by providers and beneficiaries
- Works with the Attorney General’s Office to prosecute those indicted for Medicaid fraud
Responding to Consumer Complaints

OCPI receives complaints from patients, their families, providers and former employees of providers, and through federal and state referrals. Referrals include complaints made through calls or submitted online:

- **DMA Medicaid fraud, waste and abuse tip line:**
  1-877-DMA-TIP1 (1-877-362-8471)

- **DMA Medicaid Fraud and Abuse Confidential Complaint form:**
  dma.ncdhhs.gov/get-involved/report-fraud-waste-or-abuse/complaint-form

Medicaid also responds to fraud calls referred from the State Auditor's Waste Line, 1-800-730-TIPS.
Business Information

The Business Information Office leads technology and business processes to support Medicaid.

The Business Information Office (BIO) is divided into two teams:

- **Business & Technology Relationship Management** (BTRM) is the central facilitation and contact point for Medicaid-related activities of NCTracks, the state’s multi-payer claims system, including translating business rules into NCTracks system requirements; serving as the liaison with the Medicaid team on NCTracks execution of beneficiary eligibility, provider enrollment, reimbursement, prior approval, and claims adjudication requirements. BTRM also oversees and approves the process to implement corrections to the NCTracks system.

- **Business Intelligence** (BI) is a centralized analytics team that uses analytical techniques to resolve Medicaid questions and issues by identifying and gathering business insights from Medicaid data. BI is committed to improving the customer experience through convenience, accuracy, timely delivery, planning for change and sustainable growth of reporting capacity.

**SFY 2017 Accomplishments**

During 2017, the BI team rolled out the first set of five interactive Medicaid data visualization dashboards. The dashboards support Medicaid’s continued commitment to transparency by improving stakeholder access to data and providing an effective way to see and explore data. Dashboards make it easier to identify trends, outliers and patterns that are less obvious in a numbers-only format. They also provide Medicaid sections with an additional means of understanding and managing the business.
The five dashboards published on the Medicaid website are:

- **Enrollment**, which shows the number of people by county and program aid category who have received a Medicaid or NC Health Choice identification card and are authorized to receive Medicaid or NC Health Choice services for each report month.

- **Annual Report Tables**, which provides an interactive overview of financial results by county, program and service starting in SFY 2010.

- **Healthcare Effectiveness Data and Information Set (HEDIS) measures**, which displays a broad range of health care performance measures for Medicaid and NC Health Choice.

- **Payments to Providers**, which provides the number of providers who have received Medicaid claims payments by service type and county.

- **Expenditures**, which shows Medicaid per member per month spending by category of service, and spending and receipts by fund.
Serving as a Resource to Stakeholders

Medicaid is committed to transparency, collaboration and partnership
Policy and Regulatory Affairs
Policy and Regulatory Affairs provides policy-based answers, program information and public records to stakeholders.

The Policy and Regulatory Affairs team are lawyers who assist callers with questions on eligibility and disability determinations at DSS; application procedures and waiver waiting lists; the difference between Medicaid and Medicare; and between third-party insurance and liability.

Policy and Regulatory Affairs also connects callers with statewide and community-level programs as needed.

SFY 2017 Accomplishments

- Responded to an average of 100 external inquiries per month;
- Updated rule language and worked with variety of agencies to generate fiscal analyses, re-adoption, amendment or repeal of 90 rules in the North Carolina Administrative Code; and
- Ensured all Medicaid-related policy and regulatory activities and initiatives across 13 divisions were aligned, and that they supported Department objectives for the Medicaid program and its beneficiaries, providers and contractors.

How Medicaid Serves the People and Communities of North Carolina

Policy & Regulatory Affairs:

Responds to the public’s questions and request for information an average of 100 inquiries per month

Helps communities find answers within complex state and federal rules and regulations

Monitors state and federal legislative activity to determine potential effect of bills on North Carolina Medicaid and NC Health Choice programs

Connects callers with statewide and community-level programs as needed.
Provider Services

The Provider Services team oversees business processes and operations related to the nearly 70,000 North Carolina health care professionals who deliver Medicaid and NC Health Choice services.

Provider services ensures qualified health care professionals deliver services to Medicaid beneficiaries. This starts with monitoring provider qualifications during the application process, and follows with supporting providers by addressing their concerns and streamlining processes to allow for more time with patients.

Provider Services uses a precise monitoring plan and other tools to oversee the state fiscal agent’s performance in adjudicating provider claims, and uses that information to proactively identify trends and areas for improvement.

SFY 2017 Accomplishments

- Improved audit outcomes due to continued evaluation, expansion and refinement of the application and claims monitoring plan, and use of the managed control plan and related tools implemented in SFY 2016;

- Grew efficiency by instituting strategic business processes, growing from five standard operating procedures in August 2015 to a total of 64; and

- Launched dashboards in January 2017 to track the state fiscal agent’s error rate and type of deficiency, and used that data to identify issues early; and measure effectiveness of corrective action plans, process changes and other solutions.

Since application processing improvements were implemented in April 2017, providers have reported improvements in the time to process applications submitted to NCTracks.

How Medicaid Serves the People and Communities of North Carolina

Provider Services:

Reduces Medicaid fraud, waste and abuse by ensuring qualified health care professionals are approved to provide Medicaid services

Identifies trending areas of provider concern or potential claims payment issues for faster resolution

Streamlines paperwork so that providers have more time to focus on ways to improve patient health and overall quality of life
Making North Carolina Healthier

North Carolina Medicaid in action
Community Alternatives Programs
Community alternatives programs cover home- and community-based services that make care at home a possibility for many people who might otherwise be placed in a nursing home.

Community alternative programs (CAPs) supplement formal and informal services and supports already available to a beneficiary. The program is for situations where no household member, relative, caregiver, landlord, community, agency, volunteer agency or third-party payer is able or willing to meet all medical psychosocial and functional needs of the beneficiary.

There are two CAP programs that waive certain Medicaid requirements to allow home- and community-based services to be provided: one program for children (CAP/C) and another for disabled adults (CAP/DA):

- **CAP/C** participants are children, including foster children, from birth to age 21 who are medically fragile.
- **CAP/DA** participants are adults age 18 and older with disabilities.

**SFY 2017 Accomplishments**

After months of collaboration with CAP/C beneficiary families and advocates, the North Carolina amended CAP/C waiver was submitted to the federal Centers for Medicare & Medicaid Services and was approved in March 2017. The waiver included three new initiatives:

1. Improved access to personal care services in CAP/C by changing policy to allow relatives with paraprofessional certification to provide services;

2. Rollout of consumer-directed care model that allows greater flexibility and autonomy to meet Activities of Daily Living, including determining who provides care, when and where services are received, and the ability to determine the right cost for the service; and

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**How Medicaid Serves the People and Communities of North Carolina**

**Community alternative programs for children and adults:**

- Keeps individuals out of institutions and in the family home & community
- Allows family members to work rather than having to miss time to take care of the beneficiary
- Provides paraprofessionals in underserved areas
3. Expansion of limits on home and vehicle modifications and other technologies to allow flexibility in obtaining modifications.

Improvements to CAP/DA included:

- An additional 320 waiver slots opened for Alzheimer’s & related disorders; and
- Expansion of case management hours to allow for +38 hours per year to assess, plan and monitor needs, and to link to other needed services.
A Mother’s Story

There are times when parents have done everything in their power to take care of a medically fragile child, only to have one more challenge cross their path. This was the position in which a mother found herself as she strove to provide for a young daughter whose physical condition required extensive care.

The mother and daughter lived in an area that was underserved – it did not have enough qualified paraprofessionals to stay with the daughter so the mother could work. Too often, this meant that the mother could not find care when it was needed, leaving her no choice but to miss work to tend to her daughter.

Unfortunately, the mother’s absenteeism was becoming too frequent and she was at risk of losing her job. With her paycheck essential to the entire family’s well-being, the mother was close to making a heartbreaking decision to place her child in an institution.

Relief arrived for the family in the form of the Community Alternatives Program for Children, and a recent change to the benefits that added consumer-directed care. This improvement, added in SFY 2017, provides greater flexibility for families, such as determining who may provide services, and when and where they are received.

Today, the family’s outlook is much brighter as the mother continues to work, and her daughter and entire family remain together.
Program of All-Inclusive Care for the Elderly

The Program of All-Inclusive Care for the Elderly (PACE) is a national model of a capitated managed care program for adults ages 55 and older who require nursing facility-level of care. The overall goal is to provide higher quality care by managing all health and medical needs to delay or avoid hospitalization and long-term care placement.

PACE offers a comprehensive array of services including primary health clinics, adult day care programs, areas for therapeutic recreation, personal care, and other acute, emergency care and long-term care services for those enrolled in the program.

PACE provides medical care, meal services, physical therapy, activities, socialization and restorative therapies in one location.

SFY 2017 Accomplishments

- Collaborated with the Division of Adult and Aging Services to identify and remove duplicative PACE and adult day health regulations placed on PACE organizations; and
- Conducted due process training with the North Carolina Department of Justice for all quality assurance coordinators to ensure consistency and quality of compliance efforts.

How Medicaid Serves the People and Communities of North Carolina

The Program of All-Inclusive Care for the Elderly:

Provides alternatives to nursing facilities for those who can live in a community setting

Allows seniors to attend an adult day care, receive a variety of services in one location and still live at home

Enables caregivers to hold day jobs and have the family member at home in the evening
Virginia’s Story

Life at home started to become too painful for Virginia. She had worked hard for her hand-crank, partially mechanical bed, purchasing it with her own money. “On rainy days, I wouldn’t get out of the bed because it was so painful,” said Virginia. “It was too painful and required too much effort to transfer to the lower surface bed.”

Virginia, however, knew exactly where to turn for help: Her Program of All-Inclusive Care for the Elderly (PACE) team. Although not part of typical PACE services, Virginia was very familiar with the commitment this team has for its PACE community. After talking with Virginia about her needs, the PACE began an extensive search, happily resulting in finding the right bed for Virginia. In addition, two PACE drivers volunteered to deliver and set up the new bed, much to Virginia’s surprise and delight.

Virginia had one more challenge for the PACE team. She knew there had to be someone who could use her hard-earned mechanical bed…someone who did not yet need a full electrical model.

Of course, the PACE team was there to help. After working with its many community contacts, the team found someone who needed that very bed, delivering on Virginia’s desire to help another person in need.

“I am so thankful for the fully electric hospital bed,” Virginia wrote to PACE. “It is so good for you to help people in need. [The PACE team] never gave up on finding me help, and I am so happy to know I was able to help someone else in need with my bed.”
Money Follows the Person

Money Follows the Person (MFP) is a state project and voluntary program that helps Medicaid-eligible individuals who live in inpatient facilities move into their own homes and communities with supports.

Medicaid was awarded its MFP grant from the Centers for Medicare & Medicaid Services in May 2007 and began supporting individuals to transition in 2009. MFP was extended under the Affordable Care Act through 2020.

MFP supports beneficiaries by identifying and addressing barriers to receiving quality, community-based, long-term care and supports. Once participating, beneficiaries have priority access to community-based service packages or may enroll in the Program for All-Inclusive Care for the Elderly. MFP also helps fund needs related to transitions, including utility start-up expenses, security deposits, furniture, accessibility modifications or other one-time items and services that may be required to transition.

SFY 2017 Accomplishments

- Transitioned 147 individuals out of facilities and into their own homes and communities;
- Hosted leadership development training through the Transitions Institute for 60 individuals statewide, focusing on quality transition coordination;
- Held 16 lunch-and-learn webinars on transition-related topics that reached 1,053 participants;
- Managed MFP Roundtable stakeholder engagement meetings across the state that were attended by 186 individuals; and
- Invested $1,881,500 in six grant initiatives through the MFP Rebalancing Fund to address specific transition needs.

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How Medicaid Serves the People and Communities of North Carolina

Money Follows the Person Demonstration Project:

Keeps individuals out of institutions and eases transfer to homes and community

Provides choice

Works with other community services
Dylan’s Story

Dylan, age 18, was removed at 4 years old from his mother’s home due to neglect and abuse. As he grew, those childhood experiences contributed to behaviors that were often misunderstood. Additionally, intellectual and developmental disabilities, and behavioral health issues further affected Dylan’s relationships. This eventually led to placement in more than 60 facilities over 14 years, including foster homes, group homes and hospitals. Dylan even spent time in prison.

“At the Money Follows the Person, Dylan fortunately now has a stable and loving Alternative Family Living home, with a full schedule including supportive employment, volunteering and playing in an adult football league.

“I got to choose where to go this time. In the past, they didn’t even let me choose,” Dylan said. “Life is fun now.”
Overview of Medicaid Programs and Services

Medicaid offers a wide array of programs and services to eligible North Carolina beneficiaries
North Carolina Medicaid Programs and Services for Eligible Beneficiaries

North Carolina Medicaid covers a wide variety of programs and services for eligible beneficiaries. Below are some of the most highly used services.

See page 9 for a list ranked by claims expenditure. To learn more about programs and services not listed in the annual report, visit the Medicaid website at dma.ncdhhs.gov or contact customer service at 800-662-7030.

Ambulance Services

Ambulance services provide ground and air transportation for Medicaid beneficiaries who experience a sudden medical emergency and cannot be safely transported by other means, like a car or taxi, to receive medically necessary treatment.

Medicaid provides ambulance services to ensure beneficiaries receive appropriate care as soon as possible in a medical emergency. The beneficiary’s condition must meet the definition of medical necessity and require medical services that cannot be provided in the beneficiary’s home. There are about 400 ambulance providers enrolled in North Carolina Medicaid.

Ambulatory Surgery Center Services

An ambulatory surgery center provides surgical procedures in an outpatient setting. A beneficiary receives scheduled procedures, including diagnostic and preventive services, and is discharged on the same day. Most Medicaid beneficiaries are eligible to receive ambulatory surgery center services.

Ambulatory surgery centers (ASCs) relieve the workload of hospitals by offering an alternative outpatient setting for a growing number of critical procedures. Without ASCs, Medicaid

How Medicaid Serves the People and Communities of North Carolina

Some programs for:

<table>
<thead>
<tr>
<th>Children</th>
<th>Adults with Disabilities</th>
<th>Seniors</th>
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<tbody>
<tr>
<td>Community Alternatives</td>
<td>Community Alternatives</td>
<td>Program of All-Inclusive Care for the Elderly</td>
</tr>
<tr>
<td>Program for Children</td>
<td>Program for Disabled Adults</td>
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</tr>
<tr>
<td>(p. 26)</td>
<td>(p. 26)</td>
<td>(p. 29)</td>
</tr>
<tr>
<td>Dental Services (p. 36)</td>
<td>Health Check Early Preventive</td>
<td></td>
</tr>
<tr>
<td>Health Screening (p. 37)</td>
<td>Health Screening (p. 37)</td>
<td></td>
</tr>
<tr>
<td>Optical Services (p. 41)</td>
<td>Optical Services (p. 41)</td>
<td></td>
</tr>
</tbody>
</table>
beneficiaries would be required to visit the hospital for surgical procedures. As of July 2017, there were about 130 ASC providers enrolled in North Carolina Medicaid.

**Clinic Services**

*With the collaboration of the federal government, and other state and local partners, the Medicaid program offers an array of clinic services, including those of providers licensed to practice within a clinic service setting. These include federally qualified health centers, rural health clinics, local health departments and end stage renal disease dialysis facilities.*

Federally qualified health centers (FQHCs) and rural health clinics (RHCs) provide a core set of health care services mandated by federal Medicaid laws. FQHCs are Medicaid-certified health centers for underserved populations. RHCs are Medicaid-certified health clinics with services provided by a physician, physician assistant, nurse practitioner or certified nurse midwife. The Department’s Office of Rural Health and Medicaid work together to oversee RHCs.

A local health department is a district health department, a public health authority or a county health department that meets the North Carolina General Assembly mandate to ensure all citizens in the state have access to essential health services fundamental to promoting the highest level of health possible to citizens.

End stage renal disease (ESRD) facilities provide dialysis treatments to enrolled Medicaid beneficiaries. The Division of Health Services Regulation and Medicaid oversee about 230 ESRD facilities across the state.

Clinic services provide continued comprehensive medical care for Medicaid beneficiaries unable to find a Medicaid provider due to access or transient care. Moreover, clinics in North Carolina also serve as safety net providers for people who have difficulty obtaining medical care because they are either underinsured or uninsured.

**Community Alternatives Programs for Children**

See page 26.

**Community Alternatives Programs for Disabled Adults**

See page 26.
Dental Services

Dental services are provided to Medicaid beneficiaries of all ages and NC Health Choice beneficiaries 6-18 years of age. Dental services include check-ups, X-rays and cleanings; fillings and extractions; complete and partial dentures; and certain surgery procedures.

Uncontrolled oral disease may lead to a higher risk of developing or exacerbating problems like diabetes, heart disease and bacterial pneumonia. Oral health care is even more important for beneficiaries who are chronically ill or have special needs (aged, blind, disabled, intellectual or developmental disabilities, and other diagnoses).

Over half of the births in North Carolina are to Medicaid-eligible women. Pregnant women with poor oral health are at higher risk for adverse birth outcomes like pre-term and low birth-weight babies, and may more readily transmit bacteria that cause oral disease to their young children.

Medicaid and NC Health Choice dental services provide the opportunity for North Carolinians to improve oral health and lower the risk of compounding future health issues. Orthodontic services also are provided to some beneficiaries under age 21 with functionally impaired ability to speak, eat, swallow or chew due to crooked teeth or jaw growth discrepancies.

Durable Medical Equipment

The durable medical equipment program covers prosthetics, orthotics and other types of durable medical equipment for enrolled Medicaid and NC Health Choice beneficiaries, and to individuals enrolled in both Medicare and Medicaid.

North Carolina Medicaid covers durable medical equipment, prosthetics, orthotics and related supplies when medically necessary for beneficiaries to function in their home or adult care home, and when ordered by their treating prescriber (physician, physician assistant or nurse practitioner).

Examples of covered equipment include wheelchairs, hospital beds, walkers, canes and crutches; oxygen and respiratory equipment; and glucose monitors. Covered prosthetic and orthotic devices include artificial limbs, and braces for the limbs or spine. Related supplies covered when medically necessary include those used for incontinence, diabetes, ostomy and tracheostomy care, and tubing, batters and electrodes.
Health Check Early Preventive Health Screening

Health Check is North Carolina’s preventive health and wellness program for Medicaid beneficiaries under age 21. These services are part of the federal Early Periodic Screening, Diagnostic and Treatment (EPSDT) benefit required by the Centers for Medicare & Medicaid Services.

Health Check ensures eligible children have access to early and regular medical surveillance and preventive services, including screenings, physical assessments, referrals and follow-up care to promote good health, and to ensure earliest possible diagnosis and treatment of health problems.

Under EPSDT, diagnostic and treatment services must be provided when Health Check wellness screens indicate a need for further evaluation of a child’s medical condition. Wellness visits are offered and encouraged at intervals recommended by the American Academy of Pediatrics.

Home Health Services

Home health services are medically necessary skilled nursing services, specialized therapies (physical therapy, speech-language pathology and occupational therapy), home health aide services and medical supplies provided to beneficiaries at home or in adult care homes. Services are available to Medicaid and NC Health Choice beneficiaries at any age.

Home health services reduce the length and cost of hospital stays for beneficiaries while promoting independence and self-sufficiency. These services are designed to be offered on a short-term or intermittent basis.

Home health services provide cost-effective alternatives to hospital or skilled nursing facility care. They reduce admission into skilled nursing facilities and allow beneficiaries to receive required treatment in the comfort of their homes.

Hospice Services

The Medicaid and NC Health Choice hospice benefit provides coordinated and comprehensive services for the physical, psychosocial, spiritual and emotional needs of terminally ill beneficiaries, their families and caregivers. Services are provided in private homes, hospice residential care facilities and a variety of other settings.

People in their last phase of life may prefer to manage pain and other symptoms in the comfort of their own home rather than continue treatment in a hospital setting. Providers with specialized skills and training to care for those in their final days are necessary to ensure the most appropriate physical and emotional care.
With Medicaid hospice services, beneficiaries with a life expectancy of six months or less may choose to forgo curative measures and, instead, use palliative medicine to manage symptoms. Hospice provides a compassionate approach to end-of-life care, improving the quality of life for beneficiaries and their families.

**Hospital Emergency Department Services**

Hospital emergency departments provide acute care at the sudden onset of a medical condition that may or may not require hospital inpatient admission. Emergency department services received within 24 hours of admission are included as part of the inpatient hospital stay.

Without hospital emergency department benefits, the burden for emergency care would shift to physicians and clinics. A hospital emergency department benefit provides for stronger hospital systems that provide emergency health care needs by uniquely qualified staff in an appropriate setting, while allowing physicians and clinics to practice primary and integrated care.

**Hospital Inpatient Services**

Hospital inpatient services are primarily treatments that are not practical or advisable to be delivered on an outpatient basis, provided under the direction of a physician or a dentist, and received by a Medicaid patient in a facility qualified to participate in Medicare as a hospital.

Hospital inpatient services hold a significant role in diagnosing and treating illness while also providing opportunities for Medicaid beneficiaries to become a healthier population with enhanced quality of life based on improved quality of care.

Hospital inpatient services are an important aspect of any health care system. Without this Medicaid coverage, beneficiaries suffering from significant illness or physical trauma would not have access to necessary procedures or intensive care.

**Hospital Outpatient Services**

Hospital outpatient services cover a wide variety of treatments including preventive, diagnostic, therapeutic, rehabilitative and palliative. These services ordinarily do not require admission to a facility, are provided by or under the direction of a physician or dentist, and are received by a Medicaid patient in a hospital setting.

Hospital outpatient services provide access to crucial medical care for beneficiaries, while enabling hospitals to provide that care in a quality-oriented and efficient manner. Services that do not require patients to be admitted allow hospitals to dedicate necessary resources to their inpatient services.
The hospital outpatient benefit also provides cost-effective laboratory and radiology services, which can be costlier in other settings. This ensures Medicaid beneficiaries have access to a wider variety of these services.

**Lab and X-ray Services**

Lab and X-ray services include diagnostic lab tests performed in independent laboratories; and lab tests, portable X-rays and ultrasounds that take place in independent diagnostic testing facilities.

North Carolina provides laboratory services to enrolled Medicaid and NC Health Choice beneficiaries, and to individuals enrolled both Medicare and Medicaid. X-ray services are included in this category and typically account for a small percentage of total expenditure.

**Licensed Non-Physician Provider Services**

Licensed non-physician provider services are assessments and treatments performed by independent providers licensed to provide audiology, occupational, physical, respiratory and speech therapy services. A physician’s order and a prior approval is required for these services.

Child development services agencies (CDSAs), home health agencies, outpatient hospitals, physicians’ offices, local education agencies (LEAs), and single-specialty and multi-specialty group practices provide Medicaid therapy services for specific age groups.

To ensure all children receive therapy to improve development skills delayed by impairments or during recovery from an injury or illness, independent providers deliver Medicaid specialized therapy services to eligible beneficiaries under age 21 and NC Health Choice beneficiaries under age 19. The therapies are provided in the beneficiary’s home, day care, preschool, school or clinic.

To ensure all adult beneficiaries over age 21 years received medically necessary therapy to improve recovery from an illness/diagnosis or injury requiring an open surgical procedure, adult beneficiaries can receive therapy through the physician’s office, home health agency or through an outpatient hospital facility.

**Local Management Entities/Managed Care Organizations (LME/MCOs)**

Local Management Entities/Managed Care Organizations (LME/MCOs) are organizations that manage, coordinate, facilitate and monitor the provision of behavioral health, intellectual and developmental disabilities, and substance use disorder services in the geographic area that they serve.

LME/MCO organizations strive to meet the needs of people with short- and long-term behavioral health needs, which could include mental health,
substance use disorders and developmental disabilities. The service package is comprehensive and covers outpatient and inpatient levels of care, and long-term behavioral health care services and supports in the beneficiary’s home or community rather than an institutional setting. The program was initiated to control and more accurately budget the rising costs of these Medicaid-funded services.

**Medicare Aid Program**

*Medicare Aid helps Medicare-eligible Medicaid beneficiaries pay for Medicare premiums, copayments and deductibles.*

Seniors and disabled individuals who fall within Medicaid eligibility criteria receive assistance with Medicare costs through this program, providing an extra level of coverage tailored to this dual-eligible population and mitigating financial risk to the state. Beneficiaries who fall just outside of full Medicaid income and resource requirements can still receive assistance with some Medicare premiums, copayments and deductibles.

This program offers dual-eligible beneficiaries access to a network of providers who may not necessarily accept patients who have only Medicaid coverage.

Further, the Medicare Aid for Working Individuals with a Disability program enables individuals with disability to pursue employment without jeopardizing continued Medicare coverage.

**Non-Emergency Medical Transportation Services**

*Medicaid beneficiaries are provided transportation services to and from medical appointments through county Department of Social Services (DSS) offices. DSS contracts with vendors, including public transportation, taxi cabs, private transportation companies, volunteers and DSS staff, using private and agency vehicles.*

Medicaid beneficiaries often do not have the resources to travel to medical appointments. Non-emergency medical transportation (NEMT) ensures that all eligible Medicaid beneficiaries have access to vital health care.

Transportation providers are reimbursed for mileage. Beneficiaries and friends, and financially and non-financially responsible individuals are reimbursed for mileage and travel-related expenses, such as meals and overnight stays, and are provided gas vouchers when they drive their own vehicles.
Optical Services

Medicaid and NC Health Choice programs cover optical services, which include routine eye examinations, eyeglasses and medically necessary contact lenses for Medicaid beneficiaries under age 21 and NC Health Choice beneficiaries under age 19.

Through a partnership between the Department and the Department of Public Safety, eyeglasses are fabricated by Nash Correctional Institution inmates at Nash Optical Plan, a state-owned and -operated, full-service optical laboratory.

There have been no cost increases since 1998 for lenses or add-ons fabricated by Nash Optical Plan. Frame costs have increased minimally with frame updates.

Personal Care Services

Personal care services include a range of human assistance services to help with common activities of daily living for Medicaid beneficiaries of all ages with disabilities and chronic conditions. Services are provided to Medicaid beneficiaries in a variety of settings.

The personal care services (PCS) program allows beneficiaries who need assistance with activities of daily living (ADLs) with the opportunity to avoid placement in a nursing home by offering long-term service in a home environment.

PCS provides person-to-person, hands-on assistance with ADLs by a direct care worker in the beneficiary’s home or other setting. PCS also includes assistance with instrumental activities of daily living (IADLs), such as light housekeeping tasks, when directly related to the approved ADLs and the assistance is specified in the beneficiary’s PCS service plan.

North Carolina Medicaid beneficiaries receiving PCS must have a medical condition, disability or cognitive impairment, and demonstrate unmet needs for a certain number of qualifying ADLs at varying levels of required assistance.

Pharmacy

See page 16.
Physician Services

North Carolina Medicaid physician services are provided by all physician specialties. Also included are licensed non-physician providers like nurse practitioners, physician assistants, certified nurse midwives and certified nurse anesthetists. Services are provided to Medicaid-eligible beneficiaries, with certain restrictions depending on the eligibility category. Prenatal care physician services are provided to pregnant beneficiaries.

North Carolina provides access to health care for low-income children, families and seniors. Without this care, health issues can develop into long-term, chronic illnesses that prevent people from experiencing a full life, providing for their families and contributing to their communities.

Physician services provide continuing and comprehensive medical care, health maintenance and preventive services to Medicaid beneficiaries, including the appropriate use of consultants, health services and community resources.

Program of All-Inclusive Care for the Elderly (PACE)

See page 29.

Skilled Nursing Facilities

A skilled nursing facility provides beneficiaries with daily nursing care that does not require the more complex acute care medical consultations and support services available in a traditional hospital setting.

Skilled nursing facilities provide short- and long-term care to beneficiaries, placing patients under the close supervision of doctors and nurses specially trained to treat a variety of conditions. Additionally, skilled nursing facilities offer rehabilitative care to patients recovering from stroke, surgery or other events, offering patients an alternative to hospitalization that still provides continued full-time care.

Medicare covers 100% of skilled nursing facility costs for the first 20 days, but only 80% afterward, up to 100 days. Some beneficiaries are unable to cover the cost of treatment when Medicare runs out. Medicaid coverage for skilled nursing care helps ensure continued access to care for beneficiaries.
Additional Exhibits
## Funding Sources
### SFY 2016 - SFY 2017

### Medicaid ($M)

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<th>SFY 2016 Budget</th>
<th>SFY 2017 Actuals</th>
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### Medicaid + Health Choice ($M)

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Note: Due to rounding, budget minus actuals may not equal variance shown.
## Medicaid Providers by Type
### SFY 2017

<table>
<thead>
<tr>
<th>Provider Type</th>
<th>Unduplicated NPI Count by Type</th>
<th>NPI Count with Multiple Taxonomy Codes</th>
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</thead>
<tbody>
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<td>Agencies</td>
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<tr>
<td>Allopathic &amp; Osteopathic Physicians</td>
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<td>Ambulatory Health Care Facilities</td>
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<tr>
<td>Behavioral Health &amp; Social Service Providers</td>
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<tr>
<td>Chiropractic Providers</td>
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<td>Nursing &amp; Custodial Care Facilities</td>
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<td>Other Service Providers</td>
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<td>Pharmacy Service Providers</td>
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<td>Physician Assistants &amp; Adv. Practice Nursing Providers</td>
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<td>Podiatric Medicine &amp; Surgery Service Providers</td>
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<td>Residential Treatment Facilities</td>
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<td>Respiratory, Developmental, Rehabilitative &amp; Restorative</td>
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<td>Suppliers</td>
<td>2,011</td>
<td>3,280</td>
</tr>
<tr>
<td>Transportation Services</td>
<td>372</td>
<td>413</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>68,583</strong></td>
<td><strong>83,042</strong></td>
</tr>
</tbody>
</table>

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8 Total count of NPIs by Level 1 provider taxonomy with a claim in SFY 2017; some providers
Average Enrollment by Program Aid Category
SFY 2013- SFY 2017

EXHIBIT 7
Total Expenditure by Category of Service
SFY 2016-SFY 2017

<table>
<thead>
<tr>
<th>Service Category</th>
<th>SFY 2016</th>
<th>SFY 2017</th>
<th>Cost Per Recipient Variance (vs. SFY 2016)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unduplicated Recipients</td>
<td>Claims Expenditure ($M)</td>
<td>Cost Per Recipient</td>
</tr>
<tr>
<td>LME/MCO</td>
<td>1,860,507</td>
<td>$2,612.1</td>
<td>$1,404.0</td>
</tr>
<tr>
<td>Skilled Nursing Facilities</td>
<td>45,238</td>
<td>1,210.5</td>
<td>26,759.5</td>
</tr>
<tr>
<td>Physician</td>
<td>1,784,533</td>
<td>1,034.8</td>
<td>579.9</td>
</tr>
<tr>
<td>Hospital Inpatient</td>
<td>240,941</td>
<td>947.2</td>
<td>3,931.4</td>
</tr>
<tr>
<td>Medicare Aid</td>
<td>359,523</td>
<td>753.7</td>
<td>2,096.4</td>
</tr>
<tr>
<td>Pharmacy</td>
<td>1,296,420</td>
<td>832.0</td>
<td>641.8</td>
</tr>
<tr>
<td>Hospital Outpatient</td>
<td>706,141</td>
<td>527.2</td>
<td>746.6</td>
</tr>
<tr>
<td>Personal Care Services</td>
<td>48,095</td>
<td>452.9</td>
<td>9,417.6</td>
</tr>
<tr>
<td>Hospital Emergency Dept.</td>
<td>601,172</td>
<td>377.3</td>
<td>627.5</td>
</tr>
<tr>
<td>Dental</td>
<td>909,885</td>
<td>379.5</td>
<td>417.1</td>
</tr>
<tr>
<td>CAP/DA</td>
<td>11,772</td>
<td>237.0</td>
<td>20,134.0</td>
</tr>
<tr>
<td>Durable Medical Equip.</td>
<td>238,490</td>
<td>211.4</td>
<td>886.4</td>
</tr>
<tr>
<td>Licensed Non-Physician</td>
<td>79,018</td>
<td>146.4</td>
<td>1,853.2</td>
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<tr>
<td>Home Health</td>
<td>25,560</td>
<td>126.6</td>
<td>4,952.5</td>
</tr>
<tr>
<td>Clinic</td>
<td>364,382</td>
<td>130.2</td>
<td>357.2</td>
</tr>
<tr>
<td>Lab &amp; X-ray</td>
<td>484,515</td>
<td>119.0</td>
<td>245.7</td>
</tr>
<tr>
<td>CAP/C</td>
<td>2,406</td>
<td>107.3</td>
<td>44,579.6</td>
</tr>
<tr>
<td>Health Check</td>
<td>719,703</td>
<td>95.9</td>
<td>133.3</td>
</tr>
<tr>
<td>PACE</td>
<td>1,972</td>
<td>58.6</td>
<td>29,703.6</td>
</tr>
<tr>
<td>Hospice</td>
<td>7,657</td>
<td>68.5</td>
<td>8,946.5</td>
</tr>
<tr>
<td>NEM Transportation</td>
<td>-</td>
<td>58.7</td>
<td>N/A</td>
</tr>
<tr>
<td>Optical</td>
<td>277,084</td>
<td>26.2</td>
<td>94.6</td>
</tr>
<tr>
<td>Ambulance</td>
<td>160,268</td>
<td>31.9</td>
<td>198.9</td>
</tr>
<tr>
<td>Ambulatory Surgery Ctr.</td>
<td>35,443</td>
<td>16.5</td>
<td>466.8</td>
</tr>
<tr>
<td>Other Services</td>
<td>1,722,095</td>
<td>208.0</td>
<td>120.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,315,252</td>
<td>$10,769.7</td>
<td>$4,651.6</td>
</tr>
</tbody>
</table>
# Medicaid Expenditure by Category of Service
## SFY 2016-SFY 2017

<table>
<thead>
<tr>
<th>Service Category</th>
<th>SFY 2016</th>
<th>SFY 2017</th>
<th>Cost Per Recipient Variance (vs. SFY 2016)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unduplicated Recipients</td>
<td>Claims Expenditure ($M)</td>
<td>Cost Per Recipient</td>
</tr>
<tr>
<td>LME/MCO</td>
<td>1,860,507</td>
<td>$2,612.1</td>
<td>$1,404.0</td>
</tr>
<tr>
<td>Hospital Inpatient</td>
<td>239,804</td>
<td>933.8</td>
<td>3,893.9</td>
</tr>
<tr>
<td>Skilled Nursing Facilities</td>
<td>45,238</td>
<td>1,210.5</td>
<td>26,759.5</td>
</tr>
<tr>
<td>Physician</td>
<td>1,695,634</td>
<td>1,005.4</td>
<td>592.9</td>
</tr>
<tr>
<td>Pharmacy</td>
<td>1,224,372</td>
<td>776.7</td>
<td>634.4</td>
</tr>
<tr>
<td>Medicare Aid</td>
<td>359,523</td>
<td>753.7</td>
<td>2,096.4</td>
</tr>
<tr>
<td>Personal Care Services</td>
<td>48,095</td>
<td>452.9</td>
<td>9,417.6</td>
</tr>
<tr>
<td>Hospital Emergency Dept.</td>
<td>582,636</td>
<td>369.8</td>
<td>634.7</td>
</tr>
<tr>
<td>Dental</td>
<td>841,354</td>
<td>360.6</td>
<td>428.6</td>
</tr>
<tr>
<td>CAP/DA</td>
<td>11,772</td>
<td>237.0</td>
<td>20,134.0</td>
</tr>
<tr>
<td>Durable Medical Equip.</td>
<td>232,453</td>
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<td>896.0</td>
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<tr>
<td>Clinic Services</td>
<td>352,218</td>
<td>127.8</td>
<td>362.8</td>
</tr>
<tr>
<td>Licensed Non-Physician</td>
<td>69,769</td>
<td>130.3</td>
<td>1,867.2</td>
</tr>
<tr>
<td>Home Health</td>
<td>25,518</td>
<td>126.5</td>
<td>4,959.0</td>
</tr>
<tr>
<td>Lab &amp; X-Ray</td>
<td>470,784</td>
<td>117.9</td>
<td>250.4</td>
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<tr>
<td>Health Check</td>
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<td>92.8</td>
<td>136.2</td>
</tr>
<tr>
<td>CAP/C</td>
<td>2,406</td>
<td>107.3</td>
<td>44,579.6</td>
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<tr>
<td>Hospice</td>
<td>7,655</td>
<td>68.5</td>
<td>8,948.4</td>
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<tr>
<td>NEM Transportation</td>
<td>-</td>
<td>58.7</td>
<td>N/A</td>
</tr>
<tr>
<td>Ambulance</td>
<td>158,936</td>
<td>31.7</td>
<td>199.4</td>
</tr>
<tr>
<td>PACE</td>
<td>1,972</td>
<td>58.6</td>
<td>29,703.6</td>
</tr>
<tr>
<td>Optical</td>
<td>253,712</td>
<td>23.9</td>
<td>94.1</td>
</tr>
<tr>
<td>Ambulatory Surgery Ctr.</td>
<td>34,776</td>
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</tr>
<tr>
<td>Hospital Outpatient</td>
<td>684,589</td>
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<tr>
<td>Other Services</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>2,197,203</strong></td>
<td><strong>$10,604.5</strong></td>
<td><strong>$4,826.4</strong></td>
</tr>
<tr>
<td>Service Category</td>
<td>SFY 2016</td>
<td>SFY 2017</td>
<td>Cost Per Recipient Variance (vs. SFY 2016)</td>
</tr>
<tr>
<td>------------------------------</td>
<td>----------</td>
<td>----------</td>
<td>-----------------------------------------</td>
</tr>
<tr>
<td></td>
<td>Unduplicated Recipients</td>
<td>Claims Expenditure ($M)</td>
<td>Cost Per Recipient</td>
</tr>
<tr>
<td>Pharmacy</td>
<td>72,048</td>
<td>$55.3</td>
<td>$767.8</td>
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<tr>
<td>Physician</td>
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<td>Licensed Non-Physician</td>
<td>9,249</td>
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<tr>
<td>Dental</td>
<td>68,531</td>
<td>19.0</td>
<td>277.0</td>
</tr>
<tr>
<td>Hospital Emergency Dept.</td>
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<td>400.7</td>
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<tr>
<td>Durable Medical Equip.</td>
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<tr>
<td>Optical</td>
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<td>99.3</td>
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<td>Lab &amp; X-ray</td>
<td>13,731</td>
<td>1.2</td>
<td>85.8</td>
</tr>
<tr>
<td>Ambulatory Surgery Ctr.</td>
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<td>640.8</td>
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</tr>
<tr>
<td>Medicare Aid</td>
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<td>-</td>
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</tr>
<tr>
<td>CAP/DA</td>
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<tr>
<td>NEM Transportation</td>
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<tr>
<td>Skilled Nursing Facilities</td>
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<td>-</td>
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</tr>
<tr>
<td>Hospital Outpatient</td>
<td>21,552</td>
<td>11.5</td>
<td>534.4</td>
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<td>LME/MCO</td>
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</tr>
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<td><strong>Total</strong></td>
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