

January 11, 2019

Seema Verma, Administrator  
Centers for Medicare & Medicaid Services  
U.S. Department of Health and Human Services  
Hubert H. Humphrey Building, Room 445-G  
200 Independence Avenue S.W., Room 445-G Washington, DC 20201

**Ref: CMS-2408-P: RIN 0938-AT40  
Medicare Program: Medicaid Program; Medicaid and Children's Health Insurance Plan (CHIP)  
Managed Care.**

Dear Ms. Verma:

On behalf of our 130-member hospitals and health systems, the North Carolina Healthcare Association (NCHA) appreciates the opportunity to comment on the Centers for Medicare & Medicaid Services' (CMS) Medicaid and Children's Health Insurance Plan (CHIP) Managed Care proposed rule.

NCHA is pleased with CMS's recognition of the critical nature of the use of pass-through payments as a mechanism to preserve the hospital safety net for Medicaid patients. **This particular proposal is important to North Carolina hospitals during the transition to a managed care delivery system beginning November 1, 2019.** Since 2011, North Carolina hospitals have increased financial support for Medicaid and uninsured patients, resulting in one of the strongest care access networks in the country for Medicaid and uninsured patients. North Carolina hospitals are concerned about the impact on the Medicaid safety net as hospitals are expected to continue providing financial support for Medicaid and uninsured patients without assurance that reimbursement levels are sufficient to support a safety net that is among the strongest in the country. Establishing pass-through payments as described in the proposed rule mitigates much of this risk during the transition to managed care for Medicaid patients. **As pass-through payments are a vital part of North Carolina hospital reimbursement and access to care, we encourage CMS to quickly finalize the proposed rule that will allow North Carolina hospitals to appropriately transition to Medicaid managed care beginning in November 2019.**

Our specific comments on several of the provisions within the rule follow.

### **Pass-Through Payments**

Proposed rule § 438.6(d)(6) would allow states to require managed care plans to make pass-through payments, as defined in § 438.6(a), to network providers that are hospitals, nursing facilities, or physicians, when Medicaid populations or services are initially transitioning or moving from a Medicaid fee-for-service (FFS) delivery system to a Medicaid managed care delivery system. NCHA commends CMS's efforts to assist states with the transition to a managed care delivery system. CMS acknowledged that many states have used pass-through payments in the transition from fee-for-service to managed care, which ensures a consistent payment stream for critical safety-net hospitals. NCHA believes preserving supplemental pass-through payments is consistent with the NCHA and CMS's position to support access to care. **NCHA has long advocated that states be allowed to continue supplemental hospital payments within the context of Medicaid managed care to support a variety of state specific objectives, including access to care.**



Lastly, the proposal for § 438.6(d)(6)(iv) states pass-through payments for Medicaid populations or services that are transitioning from a FFS delivery system to a managed care delivery system may be requested up to 3 years from the beginning of the first rating period in which the services were transitioned. CMS has historically expressed concerns with an abrupt end to pass-through payments. Further, CMS acknowledged the challenges associated with transitioning pass-through payments into payment structures allowed by the final rule, such as value-based purchasing arrangements or enhanced fee schedules which tie provider payments to the provision of services under actuarially sound capitation rates.<sup>1</sup> In addition, NCHA shares CMS's concern regarding the complexity of the transition from FFS to Medicaid managed care. NCHA is also concerned about an abrupt end of pass-through payments as our member hospitals and health systems place heavy reliance on supplemental payments to serve as safety-net providers within North Carolina, and to ensure Medicaid beneficiaries continue to have adequate access to care. **As such, we encourage CMS to extend the transition period from 3 years to 5 years, in order to ensure safety-net providers have adequate time to transition payments.**

Thank you for your consideration of our comments. If you have any questions, please contact me ([slawler@ncha.org](mailto:slawler@ncha.org), 919-677-4229) or Jeff Weegar, Vice President Financial Policy ([jweegar@ncha.org](mailto:jweegar@ncha.org), 919-677-4231).

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen J. Lawler". The signature is fluid and cursive, with the first name "Stephen" and last name "Lawler" clearly distinguishable.

Stephen J. Lawler  
President  
North Carolina Healthcare Association

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<sup>1</sup> Federal Register, Vol. 81, No. 225; Nov. 22, 2016, Rules and Regulations p. 83779.