

# Medicaid Managed Care

**North Carolina's hospitals and health systems support a managed care program that provides patients access to high quality care, reduces provider and patient administrative burden, and maximizes available federal funds.**



Medicaid is an important program which ensures that the state's vulnerable population receives needed care. Hospitals and health systems remain committed to our mission of delivering quality healthcare to the communities we serve. Since 2011, North Carolina hospitals have increased financial support for Medicaid and uninsured patients, strengthening access and preserving the healthcare safety net.

## Legislative Priorities

North Carolina's hospitals and health systems support a legislative approach that ensures federal funds received through Medicaid payment programs and hospital taxes support hospital-based care for the uninsured.

- Ensure federal dollars earned by hospitals and health systems flow to those hospitals and health systems.
- Limit the state retention of these funds to ensure providers withstand inflationary pressures due to labor and supplies, plan for future events, and provide care to all, regardless of their insurance status.
- Increase necessary oversight of prepaid health plans (PHPs) to ensure beneficiaries receive realized access to care and providers are paid for services they provide.
- Provide protections that keep North Carolina hospitals in business to provide necessary care to North Carolina communities.

## Context & Insights

North Carolina state leaders designed Medicaid Managed Care to increase access to services and improve health outcomes for patients. In 2015, the NC General Assembly (NCGA) enacted legislation directing the transition of Medicaid from fee-for-service to managed care. Managed care plans went live July 1, 2021. For many Medicaid beneficiaries, this is the first time their healthcare is now managed by a prepaid health plan (PHP) and providers are subject to PHP's specific coverage policies and prior authorizations.

NC Medicaid Managed Care Tailored Plans launch is planned for July 1, 2024, as an integrated health plan for approximately 200,000 individuals with behavioral health needs and intellectual/development disabilities (I/DDs). In preparation for this launch, The North Carolina Department of Health and Human Services (NCDHHS) has consolidated the Local Management Entities/Managed Care Organizations (LME/MCOs) from six to four plans managing whole-person care. The four contracted LME/MCOs have historically focused on the behavioral health needs and have evolved their operations to also manage the physical health needs of their beneficiaries with the Tailored Plan launch. To meet whole-person care, Tailored Plans have subcontractors for various outside services, which include separate payer processes for providers depending on type of service provided.

## Key Advocacy Messages

### North Carolina needs necessary oversight on Medicaid PHP performance.

- North Carolina must ensure proper statutory language exists for hospitals to receive the federal funds needed to carry out the mission of providing care to all, regardless of ability to pay or geographic location.
- The managed care program is designed to reduce high-cost and high-intensity services through reducing non-emergent use of emergency rooms through preventative services and care management. NC Medicaid aims to reduce inpatient and outpatient services by 16% and 23% respectively after the fourth year in the transition to managed care.<sup>1</sup> If PHPs do not focus on reducing emergent care needs through effective care management, hospitals can expect to provide emergent care and face further cost containment solutions by PHPs as result.
- Without intervention to PHP underpayment tactics, hospitals and health systems will incur increased preventable administrative burden to dispute unnecessary denials to receive payments for services provided. During SFY 2023, PHPs reported denying 21% of inpatient claims under NC Medicaid managed care based on claims paid and sent to NCDHHS within 30 days.<sup>2</sup> This is based on denied claims after care has been delivered and does not incorporate instances of underpayment from PHPs or upfront prior authorization denials. Essentially, as denials increase and hospitals are not reimbursed for the cost of care provided, hospitals will pay a provider tax to fund PHP profits instead of beneficiary care.
- NCDHHS should enforce financial disincentives for PHPs to inappropriately deny claims for reimbursement. This may take the form of an additional fee paid to the provider for denials that are overturned on appeal. Additionally, the NC Division of Health Benefits (DHB) should provide transparency on PHP penalties paid so consumers are aware of PHP performance.

### Ensure hospital-funded payments remain intact and that federal dollars earned by hospitals flow to hospitals.

- During state fiscal year (SFY) 2024, hospitals provided significant non-federal funding of approximately \$1.3B towards the NC Medicaid program, including approximately \$360M provided to cover the state's cost of Medicaid expansion.<sup>3</sup> At full enrollment of Medicaid expansion, NC hospitals and health systems are projected to provide \$500 to \$600 Million annually to cover the state's share of costs for all Medicaid services to beneficiaries eligible under Medicaid expansion. As of April 2024, hospitals also provide funding towards Home and Community-based Services of \$145M annually, which does not benefit hospital services.
- NC Medicaid assisted with the transition to Medicaid managed care by establishing rate floors for hospitals in the early years of managed care to preserve historical fee-for-service funding provided by hospitals for inpatient and outpatient services. The established rate floors expire in 2024 for urban hospitals and will expire in 2026 for rural hospitals. As the hospital assessments contribute to funding the managed care capitation payments, increased assessments each year can be less reflective of the hospital services provided as hospitals experience increased denials and reduced payments.

### NC Medicaid Managed Care lacks real access to care.

- NCHA seeks support of the NCGA to ensure there is realized access to care for NC Medicaid beneficiaries. The current network adequacy standards set by NC DHHS only focus on time and distance standards, with exceptions, and does not incorporate the ability of the provider network to meet the needs of covered beneficiaries. North Carolina lacks adequate transitions to care from hospitals to NC Medicaid participating post-acute providers (the current network adequacy standard for nursing facilities is at least one facility accepting patients per county).<sup>4</sup> This unacceptable standard creates delay in care transitions and causes harm to patient health outcomes impacting quality of life by slowing patients' recovery. As a result of network inadequacy, NC hospitals now have longer patient stays due to inability to transition Medicaid patients to the next level of care.

## Maximize available funding through CMS programs (HASP)

- NCHA seeks the NCGA's continued support for NCDHHS to maximize available funds through a request to the Center for Medicare and Medicaid Services (CMS) for the Healthcare Access and Stabilization Program (HASP). The HASP program is a federally-funded program specifically designed to support safety net hospitals through increased rates that incentivize Medicaid provider participation and providing Medicaid patients increased access to critical care. Hospitals provide matching funds from their provider taxes and there is no cost to the State. The program is estimated to allow North Carolina to draw down \$2 to \$2.3B in federal receipts that would be used to care for the state's vulnerable healthcare population.

## Sources

1. NC Medicaid Transformation Seven-year Forecast Report. <https://medicaid.ncdhhs.gov/media/5958/download>
2. <https://medicaid.ncdhhs.gov/reports/dashboards/php-claims-monitoring-dashboard>, April 18, 2024.
3. NCHA Financial Analysis performed April 2024. Amount provided does not include hospital assessments on HASP.
4. NC Medicaid Managed Care Quality Strategy. <https://medicaid.ncdhhs.gov/media/12221/download?attachment>



## Questions?

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