

# NC Medicaid Reform 1115 Waiver Fact Sheet

EMS|MC has prepared this fact sheet to assist NC EMS providers to navigate through North Carolina's Medicaid and NC Health Choice Section 1115 Demonstration Waiver Application recently submitted by DHHS to the Centers for Medicare & Medicaid Services (CMS).

## Background on Medicaid Waivers

Under a Medicaid waiver, the federal government waives certain Medicaid requirements, thereby giving states flexibility in the operation of their Medicaid program to allow states to test new approaches and demonstration projects to improve care. Section 1115 is the section of the Social Security Act that allows the federal government to grant Medicaid waivers.

To obtain a waiver, a state negotiates with the Centers for Medicare and Medicaid Services (CMS) about which Medicaid provisions might be waived, what innovations the state is proposing, and how the state plans to achieve "budget neutrality" (a requirement that waivers not cost the federal government more with the waiver than without the waiver). The negotiations are memorialized in the "Special Terms and Conditions" which constitute a contract between CMS and the state. In addition, the state adopts authorizing legislation to implement the waiver.

## State Legislation to re-organize NC's Medicaid & NC Choice Programs

In addition to being approved by the Centers for Medicare and Medicaid Services, the changes must be authorized through state implementing legislation.

In September 2015, the North Carolina General Assembly passed legislation (SL 2015-245) to transform and re-organize NC's Medicaid and NC Health Choice programs. This legislation directed DHHS to redesign Medicaid and NC Choice to achieve the following goals:

- Ensure budget predictability through shared risk and accountability;
- Ensure balanced quality, patient satisfaction and financial measures;
- Ensure efficient and cost effective administrative systems and structures; and
- Ensure a sustainable delivery system through the establishment of two types of prepaid health plans: provider-led entities (PLE's) and commercial plans (CP's).

Session Law 2015-245 provided DHHS 18 months following the approval of the demonstration waiver to implement Medicaid Reform and allow for a smooth transition for beneficiaries and providers. The waiver was submitted on June 1, 2016. The estimated approval date by CMS is January 1, 2018 allowing DHHS to implement the waiver on July 1, 2019.

## Major Program Components of the 1115 Waiver

1. Build a System of Accountability for Outcomes
2. Create Person-Centered Health Communities
3. Support Providers through Engagement and Innovations
4. Connect Children and Families in the Child Welfare System to Better Health
5. Implement Capitation and Care Transformation through Payment Alignment

DHHS goals are closely aligned with the Triple Aim: better experience of care, better health in our community and per capita health care cost containment and funding stability. DHHS goals added one additional component creating the Quadruple Aim: Triple Aim + Improved Provider Engagement and Support.

## Rationale and 1115 Demonstration Overview

North Carolina's Medicaid and NC Choice programs currently serve more than 1.9 million beneficiaries. The major Medicaid challenges that NC faces include:

- **The current payment for health services today is fee-for-service.** The new model for DHHS will focus on value, not volume. Therefore, a value-based reimbursement.
- **Medicaid operates largely according to a medical model.** The shift for DHHS will be to a person-centered model emphasizing prevention and health promotion.
- **Accountability for costs and population health is too thinly distributed and lacking.** DHHS will partner with organizations of that have the scale, scope and resources to accept risk and be accountable for quality outcomes and costs.

The overhaul includes a transition of approximately \$ 2 billion in annual Medicaid payments, funding hospitals and physicians, and also local health departments and other providers that are vital in North Carolina Medicaid and the safety net health care system (EMS systems). The demonstration will protect the current Medicaid provider payments and allow DHHS to create a capitated payment model: *Payments agreed upon in a capitation contract by a health insurance company and a medical provider. It is a fixed, pre-arranged monthly payment received by a physician, clinic or hospital per patient enrolled in a health plan with a capitated contract. Monthly payment is calculated one year in advance and remains fixed for that year, regardless of how often the patient needs services.*

There are many components of the 1115 Demonstration Waiver that will improve health care access, quality and cost. EMS has a seat at the table in the estimated three year planning process with DHHS to assist with the overhaul of NC's Medicaid Reform.

Specific components of the waiver that are of importance to EMS agencies are bulleted below and referenced in the demonstration waiver application:

- DHHS will pilot new and evolving models of community-based health care such as community paramedic pilot projects. In these pilots, paramedics function outside their customary emergency response roles and transport roles to facilitate more appropriate use of emergency resources and enhance access to primary care for medically underserved populations.
- Additional opportunities will exist for Prepaid Health Plans (PHPs) to partner with EMS agencies to provide cost effective alternative services, such as community paramedic programs, that may improve outcomes and decrease costs. DHHS will require through PHP contracts that, over time a preponderance of health spending be on a basis other than straight fee-for-service. Acceptable methods may include, but are not limited to, value-modified fee-for service payments, bundled payments (payments for episodes of care), shared savings (based on total cost of care targets), incentive payments, quality-related payment withholds and sub-capitation.

Please review the North Carolina Medicaid and NC Health Choice Section 1115 Demonstration Waiver Application for additional information.