

Medicaid Managed Care – 2023 Legislative Brief

Duke supports a transformed Medicaid program that ensures high quality outcomes, provider protections, and maximizes federal funds.

Legislative Priorities

Duke supports a legislative approach that ensures federal funds received through Medicaid payment programs and hospital taxes support hospital-based care for the uninsured.

- Enact language that ensures 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 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 health plan (PHP) and providers are subject to PHP's specific coverage policies and prior authorizations.

North Carolina hospitals and health systems are on the front line of the state's transition to Medicaid Managed 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.

NC Medicaid Managed Care Tailored Plans has been delayed launching until April 1, 2023, for individuals with behavioral health needs and intellectual/development disabilities (I/DDs). The six-contracted Local Management Entities/Managed Care Organizations (LME/MCOs) have been challenged in constructing whole person care and subcontracted with the standard plans (PHPs) for the physical care component. These separate care management models do not provide integrated care for Tailored Plan beneficiaries and has created confusion with providers on contracting.

Key Issues

North Carolina needs necessary oversight on PHP performance.

- As managed care is now live, we 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.

Ensure hospital-funded payments remain intact and that hospital payments correlate with non-federal funding providing by hospitals.

- The NC Healthcare Association anticipates hospitals will pay higher hospital assessments and receive less payments for services in SFY 2023. In 2022, hospitals will provide non-federal funding of approximately \$809 million, including approximately \$155 million provided to North Carolina's general fund.
- 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.

For SFY 2021 to 2022, PHPs reported denying 19.4% of inpatient claims under NC Medicaid managed care based on claims paid and sent to DHHS within 30 days. 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.

- As hospitals pay an excessive tax to fund their Medicaid payments these denials compound the financial difficulty of North Carolina hospitals. Essentially, as denials increase, hospitals will pay a tax to fund PHP profits instead of beneficiary care.
- NC DHHS 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, DHB should provide transparency on PHP penalties paid so consumers are aware of egregious practices.

Managed Care Organizations need to manage care, not payments.

- 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. 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.

NC Medicaid Managed Care lacks real access to care.

- Duke and other hospitals in North Carolina seek 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).
- 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 creating a bottleneck that is limiting access to all North Carolinians who require emergency care.

Maximize available funding through CMS programs (HASP).

- Duke and other hospitals in North Carolina seek the NCGA's support in maximizing 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 \$1.5 to \$2.5B in gross federal receipts that would be used to care for the state's vulnerable healthcare population.