04/2009: Report has been attached, please see below.

North Carolina Department of Health and Human Services
2001 Mail Service Center • Raleigh, North Carolina 27699-2001
Tel 919-733-4534 • Fax 919-715-4645

Beverly Eaves Perdue, Governor

Lanier M. Cansler, Secretary

February 16, 2009

The Honorable William Purcell, Co-Chair
Appropriations on Health and Human Services
North Carolina General Assembly
Room 625, Legislative Office Building
Raleigh, NC 27603

Dear Senator Purcell:

Section 10.15(x) of Session Law 2008-107 (House Bill 2436), requires the Department of Health and Human Services to develop a plan for returning utilization management functions to the Local Management Entities (LMEs). The legislation requires the Department to submit a report on the development of this plan no later than February 1, 2009.

Additional time is needed to complete this report. LMEs interested in performing Medicaid utilization management functions submitted their proposals to DMA by December 15, 2008. DMA was to review these proposals and make a selection by January 16, 2009. An extension is needed to allow adequate time for internal review of the recommendations prior to including them in the legislative report. We will submit the report no later than Wednesday, April 1, 2009.

Please direct all questions concerning this status report to Tara Larson, Acting Director for the Division of Medical Assistance at (919) 855-4100.

Sincerely,

Lanier M. Cansler

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cc: Allen Feezor
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Lanier M. Cansler, Secretary

February 16, 2009

The Honorable Doug Berger, Co-Chair
Appropriations on Health and Human Services
North Carolina General Assembly
Room 622, Legislative Office Building
Raleigh, NC 27603

Dear Senator Berger:

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February 16, 2009

The Honorable Beverly M. Earle, Chairman
Appropriations Subcommittee on Health and Human Services
North Carolina General Assembly
Room 634, Legislative Office Building
Raleigh, NC 27603

Dear Representative Earle:

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February 16, 2009

The Honorable Bob England, M.D., Chairman
Appropriations Subcommittee on Health and Human Services
North Carolina General Assembly
Room 2219, Legislative Building
Raleigh, NC 27601

Dear Representative England:

Section 10.15(x) of Session Law 2008-107 (House Bill 2436), requires the Department of Health and Human Services to develop a plan for returning utilization management functions to the Local Management Entities (LMEs). The legislation requires the Department to submit a report on the development of this plan no later than February 1, 2009.

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February 16, 2009

The Honorable Verla Insko, Chairman
Appropriations Subcommittee on Health and Human Services
North Carolina General Assembly
Room 307-B1, Legislative Office Building
Raleigh, NC 27603

Dear Representative Insko:

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Beverly Eaves Perdue, Governor

Lanier M. Cansler, Secretary

February 16, 2009

The Honorable Martin Nesbitt, Jr., Co-Chair
Joint Legislative Oversight Committee on MHDDSAS
North Carolina General Assembly Senate
300-B Legislative Office Building
Raleigh, North Carolina 27603

Dear Senator Nesbitt:

Section 10.15(x) of Session Law 2008-107 (House Bill 2436), requires the Department of Health and Human Services to develop a plan for returning utilization management functions to the Local Management Entities (LMEs). The legislation requires the Department to submit a report on the development of this plan no later than February 1, 2009.

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February 16, 2009

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Joint Legislative Oversight Committee on MHDDSAS
North Carolina General Assembly
Room 307-B1, Legislative Office Building
Raleigh, NC 27601

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Beverly Eaves Perdue, Governor

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February 16, 2009

Marilyn Chism, Director
Fiscal Research Division
Room 619, Legislative Office Building
Raleigh, NC 27601

Dear Ms. Chism:

Section 10.15(x) of Session Law 2008-107 (House Bill 2436), requires the Department of Health and Human Services to develop a plan for returning utilization management functions to the Local Management Entities (LMEs). The legislation requires the Department to submit a report on the development of this plan no later than February 1, 2009.

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July 19, 2009

The Honorable Beverly M. Earle, Chairman
Appropriations Subcommittee on Health and Human Services
North Carolina General Assembly
Room 634, Legislative Office Building
Raleigh, NC 27603

Dear Representative Earle:

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Beverly Eaves Perdue, Governor

Lanier M. Cansler, Secretary

July 19, 2009

The Honorable Bob England, M.D., Chairman
Appropriations Subcommittee on Health and Human Services
North Carolina General Assembly
Room 303, Legislative Office Building
Raleigh, NC 27603

Dear Representative England:

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Beverly Eaves Perdue, Governor

Lanier M. Cansler, Secretary

July 19, 2009

The Honorable Verla Insko, Chairman
Appropriations Subcommittee on Health and Human Services
North Carolina General Assembly
Room 307-B1, Legislative Office Building
Raleigh, NC 27603

Dear Representative Insko:

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July 19, 2009

The Honorable William Purcell, Co-Chair
Appropriations on Health and Human Services
North Carolina General Assembly
Room 625, Legislative Office Building
Raleigh, NC 27603

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July 19, 2009

The Honorable Doug Berger, Co-Chair
Appropriations on Health and Human Services
North Carolina General Assembly
Room 526, Legislative Office Building
Raleigh, NC 27603

Dear Senator Berger:

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July 19, 2009

The Honorable Martin Nesbitt,Co-Chair
Joint Legislative Oversight Committee on MHDDSAS
North Carolina General Assembly
Room 300-B Legislative Office Building
Raleigh, NC 27603

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July 19, 2009

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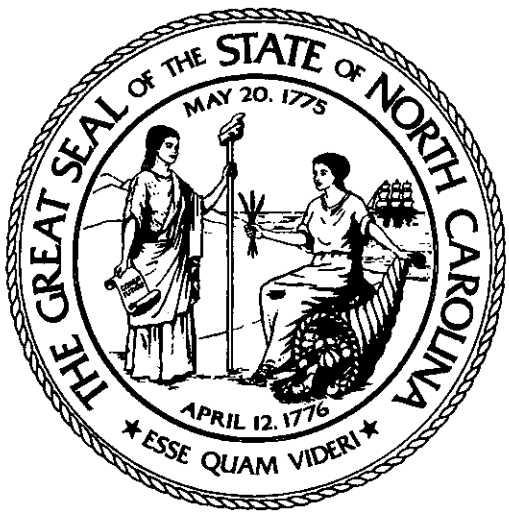
Legislative Report

Plan for Returning Utilization Management Functions to the Local Management Entities

Session Law 2008-107 Section 10.15(x)



State of North Carolina
Department of Health and Human Services
Division of Medical Assistance

April 2009

Background and Legislative Mandate

Session Law 2008-107, passed by the General Assembly of North Carolina in July 1, 2008, requires the Department of Health and Human Services to develop a plan for returning utilization management (UM) functions to the LMEs. A report on the development of this plan was due by February 1, 2009, to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, and the Fiscal Research Division. *A request for an extension was submitted on January 16, 2009.* This report is submitted to fulfill this requirement.

> Section 10.15(x) states that: "*Not later than July 1, 2009, utilization review, utilization management, and service authorization for publicly funded mental health, developmental disabilities, and substance abuse services shall be returned to LMEs representing in total at least thirty percent (30%) of the State's population. An LME must be accredited for national accreditation under behavioral health care standards by a national accrediting entity approved by the Secretary and must demonstrate readiness to met all requirements of the existing vendor contract with the Department for such services in order to provide service authorization, utilization review, and utilization management to Medicaid recipients in the LME catchment area. The Department shall comply with the requirements of S.L. 2007-323, Section 10.49(ee). The Department shall not contract with an outside vendor for services authorization, utilization review, or utilization management functions, or otherwise obligate the State for these functions beyond September 30, 2009. The Department shall require LMEs to include in their service authorization, utilization management, and utilization review a review of assessments, as well as person-centered plans and random or triggered audits of services and assessments. The Department may also develop and implement a plan to return plan authorization for CAP-MR/DD slots to LMEs.*"

Accomplishments to February 13, 2009

- A project manager was assigned from the Division of Medical Assistance (DMA) effective August 25, 2008.

- A project team was established with representatives from DMA, the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (MH/DD/SAS), and the State's fiscal agent, EDS. The team is comprised of staff with expertise in clinical, fiscal, information technology, utilization review and contracting. The team will augment areas of expertise as needed.

- A webpage was created on the DMA site, with a link from the DMH/DD/SA website, for LME UM information. The web address is http://www.ncdhhs.gov/dma/lme/.

- A high level overview of the project was presented to the LME Directors and their designees on September 24, 2008. The presentation is posted on the DMA UM webpage. Below are some of the topics covered.
    - Departments approach for selection of LMEs to perform UM
        - Requirements for participation
        - Fully divested
        - Accredited
        - Sufficient financial resources
        - UM plan, structure and program approved by DMA
    - Requirements for Utilization Management/Review Activities
        - Services
        - Timeliness standards
        - Appeals process
        - Performance standards
    - Information System Requirements and Reporting Capabilities

- On November 14, 2008, an LME UM Proposal Package was sent to each LME. The package is posted to the DMA LME UM webpage.
  This package included:
    - General Information for Submitting the LME UM Proposals;
    - LME UM Requirements and Procedures Document;
    - LME UM Proposal Evaluation Criteria;
    - LME Response Document; and
    - LME Rates per Review.

- LMEs interested in providing the Medicaid UM functions were given until December 15, 2008, to prepare and submit their proposals to DMA.

- On November 25, 2008, DMA and DMH/DD/SAS held a Question and Answer Session with the LMEs. The purpose of the session was to answer any questions the LMEs might have regarding the requirements and the proposal process. Eleven LMEs were represented at the session. All questions and answers were posted to the DMA UM Information webpage following the session.

- Seven LMEs submitted proposals to provide Medicaid UM. Proposals were received from: The Durham Center, Eastpointe, Mecklenburg Area MH/DD/SAS Authority, Western Highlands Network, East Carolina Behavioral Health, Alamance-Caswell-Rockingham and Onslow Carteret Behavioral Healthcare Services.

- Proposals were reviewed and evaluated by a committee with representatives from DMA and DMH/DD/SAS clinical and technical staff. The review committee conducted a desk review using a standard scoring sheet. There were seven categories scored: *Staffing/Provider Assistance, Utilization Management, Notification/Appeals, Performance Standards, HIPAA/Information Technology, Data Processing/Invoicing/Reporting, and Training/Transition Plan.* For a proposal to be reviewed, it had to meet the minimum requirements outlined in Part A of the response document which were:

- No Medicaid reimbursable services provided (divestiture of all services).
- The LME is currently, or agrees to become, an approved CMS certified QIO-like (Quality Improvement Organization) entity by July 1, 2009.
- The LME is currently, or agrees to be, accredited for UM by the National Committee on Quality Assessment or the Utilization Review Accreditation Commission no later than January 1, 2012.
- Financial resources sufficient to meet all requirements of the transition, implementation, and ongoing performance of all of the UM functions.
- There have been no legal actions taken against the LME in the past 2 years, and there are no legal actions pending. OR, if any legal action has been taken, or is pending, an explanation is attached.
- The LME shall not serve as legal guardian for any recipient of Medicaid reimbursed behavior health services.
- The LME shall not make any referral of a patient to any entity in which the LME or any member of the LME is an investor.
- The LME shall maintain professional liability insurance for itself and its professional staff with limits of at least ($1,000,000) per occurrence and at least ($3,000,000) in the aggregate throughout the terms of the contract.
- The LME must possess and maintain an automated Information Management System capable of performing all the activity, interfacing and reporting requirements of Utilization Management. The system must be accessible remotely by DMA and have the ability for provider access to check the status of their service authorization requests.
- The LME cannot show favoritism to any provider nor have biased referral patterns or trends.
- Compliance with future directives for services billed through the LME.
- The LME agrees to abide by all requirements contained in the requirements document and any subsequent changes to the document.

- Six of the seven LMEs received an on site visit from the evaluation team. Onslow Carteret Behavioral Healthcare Services did not receive a visit. Based upon its proposal and cost plan, it did not meet the financial requirements. One of the criteria was a minimum 8% fund balance. This criterion was considered important to ensure the sustainability and that this program would not detract from the effectiveness of existing program services.

- Notification of the LMEs selected was to have occurred by January 16, 2009. However, it was delayed until January 27, 2009. The delay was needed in order to brief the new DHHS Secretary on the selection process and the results before making an announcement. Due to scheduling conflicts, this briefing could not be completed by the January 16, 2009 deadline. The following LMEs were notified on January 27, 2009 that they were selected to provide Medicaid UM: The Durham Center, Eastpointe, Mecklenburg Area MH/DD/SAS Authority, and Western Highlands Network. These LMEs plus Piedmont represent at least 30% of the State's population as required in the legislation.

- While Mecklenburg was chosen, on March 5, 2009, DMA was formally notified that due to recent economical factors, the Mecklenburg board was delaying their participation.

Activities that Must be Completed Prior to Implementation

- The project team consists of staff from DMA, DMH/DD/SAS, the State's fiscal agent (EDS), the four LMEs and the current Medicaid UR vendor, ValueOptions . Communicating and meeting coordination presents a challenge given the number of agencies involved and their locations across the state. It will be further impacted by the travel restrictions on agencies.
- Contracts must be developed and executed with each LME.
- EDS, the fiscal agent, must work with multiple vendors to receive and process prior approval (PA) requests. In addition, EDS will have some additional reporting responsibilities in order to meet the requirement of having a single place for data collection and reporting.
- DHHS will assume additional costs in order to address the need to have a single reporting process. The EDS development cost for single reporting and PA changes is: $300,000 to $400,000.
- DHHS will incur additional costs in staff time, travel, and materials to plan, assess, develop, implement, test, train and monitor pre- and post-go-live. Given the current economic issues facing the Medicaid budget, these additional costs will place strain on the budget and will require external approval from the Dept. to move forward.
- Testing must occur with multiple vendors concurrently. This increases the complexity of testing as well as the demand on staff availability for providing vendor assistance.
- A process for using clinical criteria must be outlined to ensure consistency in application and inter-rater reliability across LMEs.
- DHHS will have to develop standardized forms and processes to ensure uniform implementation of the UM process among all vendors.
- LMEs must adopt new business processes that conform to DMA guidelines and will need to hire and train additional staff to perform these functions.
- LMEs must implement changes to their automated systems to capture information needed for utilization review and management and for submitting prior approval request. Two of the four LMEs selected are implementing new automated systems effective July 1, 2009 in addition to assuming the UM functions. This increases the risks of problems with implementation due to the added complexity of a new system.
- Training must be developed and provided to providers. Providers within the areas where the UM responsibility is shifting to the LME will be using new forms and procedures that may require changes in their business processes. Large providers whose services span more than one LME will have to work with different vendors in the authorization process.
- A process must be developed and implemented for transitioning current prior approvals from the current Medicaid UR vendor ValueOptions, to the LMEs while ensuring continuity in services for the recipient and provider. ValueOptions will have to transfer existing authorizations to LMEs and make changes to their processes to ensure LME authorizations are not accepted by them.

Conclusions

- ValueOptions will need to remain the Medicaid UR vendor for the areas not covered by the three participating LMEs.
- LMEs are planning for providers to have the capability to access their automated systems via the Internet, enter their service requests and inquire on the status of these requests. Since the LMEs' automated systems are proprietary, the State must either mandate a particular system or allow different automated systems. If different systems are allowed, providers will have to deal with different systems. This will result in: different training requirements for providers for each LME, higher administrative costs for providers to learn and work with different systems, and higher risks for errors. All of which could increase rates.
- The LMEs have requested money to assist with start-up funds to cover transitional activities and upfront costs associated with performing UR functions.

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