

## North Carolina Department of Health and Human Services

Pat McCrory  
Governor

Aldona Z. Wos, M.D.  
Ambassador (Ret.)  
Secretary DHHS

July 29, 2014

The Honorable Marilyn Avila, Co-Chair  
Appropriations Subcommittee on Health  
and Human Services  
North Carolina House of Representatives  
Room 2217, Legislative Building  
Raleigh, NC 27601

The Honorable Mark W. Hollo, Co-Chair  
Appropriations Subcommittee on Health  
and Human Services  
North Carolina House of Representatives  
Room 639, Legislative Office Building  
Raleigh, NC 27603

The Honorable William D. Brisson, Co-Chair  
Appropriations Subcommittee on Health  
and Human Services  
North Carolina House of Representatives  
Room 405, Legislative Office Building  
Raleigh, NC 27603

The Honorable Donny Lambeth, Co-Chair  
Appropriations Subcommittee on Health  
and Human Services  
North Carolina House of Representatives  
Room 610, Legislative Office Building  
Raleigh, NC 27603

Dear Representatives Avila, Hollo, Brisson and Lambeth:

Section 122C-124.2(a) of the North Carolina General Statutes requires the Secretary of Health and Human Services to certify whether each local management entity/managed care organization (LME/MCO) approved to operate the 1915(b)(c) Medicaid Waiver is in compliance with the requirements of G.S. 122C-124.2(b). Those certifications shall be made every six months, beginning August 1, 2013, and be based on an appropriate internal and external assessment.

Based upon (1) an internal review by an intradepartmental monitoring team comprised of individuals from the Division of Medical Assistance (DMA) and the Division of Mental Health, Developmental Disabilities and Substance Abuse Services (DMH), and (2) an external review by the Carolinas Center for Medical Excellence contractor HMS, I certify that the following LME/MCOs are in compliance with the requirements of G.S. 122C-124.2(b):

Alliance, Cardinal Innovations, CenterPoint, CoastalCare, Eastpointe, East Carolina Behavioral Health, Partners Behavioral Health Management, Sandhills and Smoky Mountain Center.

A summary of the certification is attached for your review.

While the LME/MCOs are appropriate for certification under the requirements of G.S. 122C-124.2, DMA and DMH staff also monitor the LME/MCOs on other standards through monthly reports, quarterly reports, annual performance measure reporting, provider surveys, consumer satisfaction surveys, annual onsite reviews, and a CMS required external quality review process. The success of the LME/MCOs is not solely determined by standards expressed under G.S. 122C-124.2(a), but also through a collaborative review of the items listed.

[www.ncdhhs.gov](http://www.ncdhhs.gov)

Telephone 919-855-4800 • Fax 919-715-4645

Location: 101 Blair Drive • Adams Building • Raleigh, NC 27603

Mailing Address: 2001 Mail Service Center • Raleigh, NC 27699-2001

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We continue to expect improved performance in efficacy and efficiency under all measures with resultant cost containment, as we provide information and promote the natural merging of the LME/MCOs into four discrete, well-managed organizations by July 2016.

Please feel free to contact me with any questions.

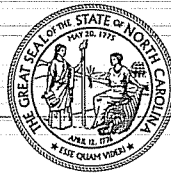
Sincerely,

A handwritten signature in black ink, appearing to read 'Wos', with a stylized flourish at the end.

Aldona Wos, M.D.

Secretary

Enclosures



## North Carolina Department of Health and Human Services

Pat McCrory  
Governor

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Secretary DHHS

July 29, 2014

The Honorable Ralph Hise, Co-Chair  
Appropriations Committee on Health  
and Human Services  
North Carolina Senate  
Room 1026, Legislative Building  
Raleigh, NC 27601

The Honorable Louis Pate, Co-Chair  
Appropriations Committee on Health  
and Human Services  
North Carolina Senate  
Room 1028, Legislative Building  
Raleigh, NC 27601

Dear Senators Hise and Pate:

Section 122C-124.2(a) of the North Carolina General Statutes requires the Secretary of Health and Human Services to certify whether each local management entity/managed care organization (LME/MCO) approved to operate the 1915(b)(c) Medicaid Waiver is in compliance with the requirements of G.S. 122C-124.2(b). Those certifications shall be made every six months, beginning August 1, 2013, and be based on an appropriate internal and external assessment.

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Aldona Wos, M.D.

Secretary

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## North Carolina Department of Health and Human Services

Pat McCrory  
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Aldona Z. Wos, M.D.  
Ambassador (Ret.)  
Secretary DHHS

July 29, 2014

Mr. Mark Trogon, Director  
Fiscal Research Division  
North Carolina General Assembly  
Room 619, Legislative Office Building  
Raleigh, NC 27603-5925

Dear Director Trogon:

Section 122C-124.2(a) of the North Carolina General Statutes requires the Secretary of Health and Human Services to certify whether each local management entity/managed care organization (LME/MCO) approved to operate the 1915(b)(c) Medicaid Waiver is in compliance with the requirements of G.S. 122C-124.2(b). Those certifications shall be made every six months, beginning August 1, 2013, and be based on an appropriate internal and external assessment.

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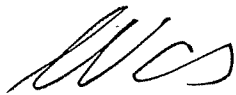
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Aldona Wos, M.D.

Secretary

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## North Carolina Department of Health and Human Services

Pat McCrory  
Governor

Aldona Z. Wos, M.D.  
Ambassador (Ret.)  
Secretary DHHS

July 29, 2014

The Honorable Ralph Hise, Co-Chair  
Joint Legislative Oversight Committee on  
Health and Human Services  
Room 1026, Legislative Building  
Raleigh, NC 27603

The Honorable Justin Burr, Co-Chair  
Joint Legislative Oversight Committee on  
Health and Human Services  
Room 307A, Legislative Office Building  
Raleigh, NC 27603-5925

The Honorable Mark Hollo, Co-Chair  
Joint Legislative Oversight Committee on  
Health and Human Services  
Room 639, Legislative Office Building  
Raleigh, NC 27603-5925

Dear Senator Hise and Representative Burr and Hollo:

Section 122C-124.2(a) of the North Carolina General Statutes requires the Secretary of Health and Human Services to certify whether each local management entity/managed care organization (LME/MCO) approved to operate the 1915(b)/(c) Medicaid Waiver is in compliance with the requirements of G.S. 122C-124.2(b). Those certifications shall be made every six months, beginning August 1, 2013, and be based on an appropriate internal and external assessment.

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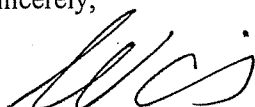
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Aldona Wos, M.D.

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Enclosures





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

Pat McCrory  
Governor

Aldona Z. Vos, M.D.  
Ambassador (Ret.)  
Secretary DHHS

Robin Gary Cummings, M.D.  
Deputy Secretary for Health Services  
Director, Division of Medical Assistance

July 28, 2014

The Honorable Aldona Z. Vos, M.D.  
Secretary, NC Department of Health and Human Services  
2001 Mail Service Center  
Raleigh, NC 27699-2001

Dear Secretary Vos:

Pursuant to S.L. 2013-85, s. 11, the Secretary of the Department of Health and Human Services shall complete a certification of compliance, in accordance with G.S. 122C-124.2(a), for each local management entity/managed care organization (LME-MCO) that has been approved by the Department to operate the 1915(b)/(c) Medicaid Waiver. The Secretary shall also provide a copy of the completed certification to the Senate Appropriations Committee on Health and Human Services, the House Appropriations Subcommittee on Health and Human Services, the Legislative Oversight Committee on Health and Human Services, and the Fiscal Research Division by no later than August 1, 2014.

Attached is a summary report of the findings for fiscal solvency, clean claims payment, and HIPPA compliance for the following LME-MCOs: Alliance, Cardinal Innovations, CenterPoint, CoastalCare, East Carolina Behavioral Health, Eastpointe, Partners Behavioral Health Management, Sandhills Center, and Smoky Mountain Center.

At this time, based on the attached records, the Division of Medical Assistance (DMA) is attesting that all nine organizations qualify for certification with the caveat that CoastalCare has been making progress toward a merger with Eastpointe and Eastern Carolina Behavioral Health. We will continue to monitor the progress of CoastalCare. Additionally, the Intra-departmental Monitoring Team (including DMA and Division of Mental Health, Developmental Disabilities and Substance Abuse Services staff) has determined via a review of quarterly financial reports submitted to DHHS that all nine LME-MCOs have made adequate provisions against the risk of insolvency.

As you know the Department has many additional monitoring tools that assist us to evaluate the quality of the LME/MCO's. These reviews are not a part of this certification process but do indicate we have room for improvement within our LME/MCO system. We are confident that the consolidation of the LME/MCO's to four, consistent with our Medicaid reform plan, will not only improve quality of service but also continue to assure stability and sustainability in our Medicaid budget.

Sincerely,

A handwritten signature in black ink, appearing to read "Robin Gary Cummings".

Robin Gary Cummings, M.D.  
Deputy Secretary for Health Services  
Director, Division of Medical Assistance

[www.ncdhhs.gov](http://www.ncdhhs.gov)

Tel 919-855-4100 • Fax 919-733-6608

Location: 1985 Umstead Drive • Kirby Building • Raleigh, NC 27603  
Mailing Address: 2501 Mail Service Center • Raleigh, NC 27699-2501

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### Claims Accuracy and Timeliness Review: Summary Findings

Audit Type	Timeliness of Provider Payment (Within 30 days)		Claims Processing Accuracy		Financial Accuracy	
LME-MCO	Result	Finding	Result	Finding	Result	Finding
Alliance	98.53%	Compliant	99.89%	Compliant	99.94%	Compliant
Cardinal Innovations	99.95%	Compliant	99.40%	Compliant	99.76%	Compliant
CenterPoint	98.62%	Compliant	99.70%	Compliant	99.91%	Compliant
CoastalCare	98.09%	Compliant	98.96%	Compliant	99.34%	Compliant
East Carolina Behavioral Healthcare	100.00%	Compliant	99.40%	Compliant	99.90%	Compliant
Eastpointe	99.93%	Compliant	99.39%	Compliant	99.66%	Compliant
Partners Behavioral Healthcare	98.98%	Compliant	98.91%	Compliant	99.97%	Compliant
Sandhills Center	100.00%	Compliant	98.72%	Compliant	98.73%	Compliant
Smoky Mountain Center	96.79%	Compliant	98.22%	Compliant	98.58%	Compliant

Data is based on a statistical sample of Medicaid claims processed between September 1, 2013 to February 28, 2014 for each LME-MCO.

### Solvency Review: Summary Findings (Current Ratio > 1.0 is Compliant) for North Carolina LME/MCOs

Month	November		December		January		February		March	
LME-MCO	Result	Compliant	Result	Compliant	Result	Compliant	Result	Compliant	Result	Compliant
Alliance	1.35	Yes	1.56	Yes	1.79	Yes	1.75	Yes	1.81	Yes
Cardinal Innovations	2.37	Yes	2.89	Yes	2.77	Yes	2.73	Yes	2.62	Yes
CenterPoint	1.30	Yes	1.66	Yes	1.66	Yes	1.80	Yes	1.83	Yes
CoastalCare	1.09	Yes	2.04	Yes	2.20	Yes	2.02	Yes	2.28	Yes
East Carolina Behavioral Healthcare	3.25	Yes	3.21	Yes	3.94	Yes	4.19	Yes	4.14	Yes
Eastpointe	2.11	Yes	2.21	Yes	2.30	Yes	2.15	Yes	2.20	Yes
Partners Behavioral Healthcare	2.02	Yes	2.58	Yes	2.75	Yes	2.79	Yes	3.57	Yes
Sandhills Center	1.43	Yes	1.79	Yes	2.05	Yes	1.97	Yes	2.28	Yes
Smoky Mountain Center	1.47	Yes	1.73	Yes	1.72	Yes	1.80	Yes	1.81	Yes

Data is based on financial information combined for State and Medicaid funds between November 1, 2013 to March 31, 2014 for each LME-MCO.

### Solvency Review: Total Expenses to Total Medicaid Revenue Summary Findings

Month	November		December		January		February		March	
LME-MCO	Result	Compliant	Result	Compliant	Result	Compliant	Result	Compliant	Result	Compliant
Alliance	75%	Yes	93%	Yes	79%	Yes	97%	Yes	91%	Yes
Cardinal Innovations	97%	Yes	105%	No	96%	Yes	89%	Yes	103%	No
CenterPoint	85%	Yes	80%	Yes	91%	Yes	85%	Yes	69%	Yes
CoastalCare	109%	No	67%	Yes	87%	Yes	91%	Yes	90%	Yes
East Carolina Behavioral Healthcare	104%	No	84%	Yes	86%	Yes	76%	Yes	90%	Yes
Eastpointe	93%	Yes	96%	Yes	94%	Yes	96%	Yes	91%	Yes
Partners Behavioral Healthcare	90%	Yes	80%	Yes	89%	Yes	76%	Yes	85%	Yes
Sandhills Center	71%	Yes	64%	Yes	79%	Yes	90%	Yes	76%	Yes
Smoky Mountain Center	86%	Yes	87%	Yes	90%	Yes	87%	Yes	95%	Yes

Data is based on financial information combined for State and Medicaid funds between November 1, 2013 to March 31, 2014 for each LME-MCO.

### Solvency Review: Defensive Interval Summary Findings

Month	November		December		January		February		March	
LME-MCO	Result	Compliant	Result	Compliant	Result	Compliant	Result	Compliant	Result	Compliant
Alliance	61.15	Yes	53.38	Yes	57.47	Yes	51.39	Yes	59.39	Yes
Cardinal Innovations	79.50	Yes	91.40	Yes	87.22	Yes	70.28	Yes	85.43	Yes
CenterPoint	48.82	Yes	49.14	Yes	49.78	Yes	52.48	Yes	66.38	Yes
CoastalCare	22.30	No	48.69	Yes	37.08	Yes	30.83	Yes	35.87	Yes
East Carolina Behavioral Healthcare	127.83	Yes	127.19	Yes	150.61	Yes	162.21	Yes	156.62	Yes
Eastpointe	75.39	Yes	69.14	Yes	75.99	Yes	70.12	Yes	86.99	Yes
Partners Behavioral Healthcare	59.16	Yes	62.06	Yes	57.17	Yes	67.31	Yes	72.35	Yes
Sandhills Center	74.49	Yes	83.07	Yes	68.85	Yes	60.42	Yes	82.87	Yes
Smoky Mountain Center	52.49	Yes	48.52	Yes	53.25	Yes	56.18	Yes	59.72	Yes

Data is based on financial information combined for State and Medicaid funds between November 1, 2013 to March 31, 2014 for each LME-MCO.

**\*HIPAA Transaction Review: Summary Findings**

Audit Type	Enrollment (820)	Health Care Claim Transaction Set (837i and 837p)	Health Care Claim Payment / Advice Transaction Set (835)	Benefit Enrollment and Maintenance Set (834)	Health Care Eligibility / Benefit Inquiry and Response (270/271)
LME-MCO	Finding	Finding	Finding	Finding	Finding
<b>Alliance</b>	Compliant	Compliant	Compliant	Compliant	Compliant
<b>Cardinal Innovations</b>	Compliant	Compliant	Compliant	Compliant	Compliant
<b>CenterPoint</b>	Compliant	Compliant	Compliant	Compliant	Compliant
<b>CoastalCare</b>	Compliant	Compliant	Compliant	Compliant	Compliant
<b>East Carolina Behavioral Healthcare</b>	Compliant	Compliant	Compliant	Compliant	Compliant
<b>Eastpointe</b>	Compliant	Compliant	Compliant	Compliant	Compliant
<b>Partners Behavioral Healthcare</b>	Compliant	Compliant	Compliant	Compliant	Compliant
<b>Sandhills Center</b>	Compliant	Compliant	Compliant	Compliant	Compliant
<b>Smoky Mountain Center</b>	Compliant	Compliant	Compliant	Compliant	Compliant

Data is based on a statistical sample of Medicaid claims processed between September 1, 2013 to February 28, 2014 for each LME-MCO.

A finding of "Compliant" means that CCME found that the LME-MCO was compliant with the requirements set forth in North Carolina Senate Bill 208.