

Shortfall of Funds in Local Health Departments Attributed to Their Adjustment to New Medicaid Reimbursement Rates

Session Law 2016-94, Section 12E.6. (b)



**Report to the
Joint Legislative Oversight Committee on Health and Human
Services
and
Fiscal Research Division**

North Carolina Department of Health and Human Services

February 1, 2017

REPORTING REQUIREMENT

Session Law (S.L.) 2016-94 appropriated \$14.8 million in nonrecurring funds to the Department of Health and Human Services' Division of Public Health (DPH) for state fiscal year (SFY) 2016-17 to support local health departments and minimize the impact of reduced Medicaid reimbursement rates on the delivery of direct patient services. S.L. 2016-94, Section 12E.6. (b) further requires DPH to report by February 1, 2017 to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division on its proposal for resolving the shortfall of funds in local health departments attributed to their adjustment to new Medicaid reimbursement rates.

BACKGROUND

In March of 2011 the Centers for Medicare and Medicaid Services (CMS) required reimbursement pages of the NC State plan to be updated. In their review CMS rejected North Carolina's cost reporting format and required NC to submit a new state plan amendment (SPA) to meet compliance. The Division of Medical Assistance (DMA) and DPH worked together through a 37 month CMS review that ultimately resulted in an approved State Plan Amendment and cost report and methodology. The SPA was approved 4/25/2014 with an effective date of 3/1/2011.

As a result of the approved State Plan and Cost report, Local Public Health Departments have seen a reduction of Medicaid funds from previous years. This reduction is a result of a CMS mandated change.

DIVISION OF PUBLIC HEALTH PROPOSAL AND ACTIONS TO DATE

The Division of Public Health's Local Technical Assistance and Training (LTAT) Branch works to strengthen the capacity of local health departments (LHDs) to improve the health of people and communities in North Carolina. The LTAT Branch is DPH's primary interface with local health department staff. Services include generalized nursing consultation, administrative consultation, assistance with LHD accreditation, and practice management.

Formal enhanced practice management efforts by the LTAT Branch since 2014 have been providing LHDs with training and tools designed to improve the efficiency of clinical delivery services, clinical documentation, and billing and reimbursement systems. Prior to 2014, less formalized efforts by LTAT staff had targeted mostly southeastern LHDs with these efforts. Formalized efforts were initiated in late 2013 and early 2014 through:

- Practice management presentation to local health directors
- Training of DPH program consultants outside the LTAT Branch in program areas which interface frequently with LHDs (such as Child Health, Communicable Disease and Women's Health)
- March 2014 two-day training for up to three staff from each LHD to set up practice management teams for this effort (all but 15 counties attended)

Additional practice management efforts by DPH have included:

- An archived webinar training for LHDs on practice management
- Ongoing formalized on-site practice management consultation by LTAT staff
- Ongoing monthly meetings of the full DPH practice management team to discuss progress (successes and failures) and ways to standardize practice management consultation for LHDs
- Ongoing practice management training for all DPH program consultants that support LHDs

This current statewide effort by DPH is an attempt to re-engineer the way clinical services are delivered in LHDs by reducing costs and improving reimbursement. Practice management efforts are based on a continuous quality improvement model and the ongoing use of data to inform decision-making. Tools provided to LHDs who are receiving practice management consultation from the LTAT Branch include but are not limited to the following:

- Practice management data dashboards (data is presented to LHD staff in a manner to underscore areas where improvement is needed)
- Staffing Data and Staff Task Matrices
- Multi-Clinic Scheduling Templates
- Patient Flow Analysis
- Tools for Setting Clinical Services Fees

RESULTS

Current feedback from DPH LTAT staff indicate the majority of LHDs are not consistently able to sustain gains made through practice management efforts after LTAT consultations are completed. Barriers to progress that have been identified by DPH and LHD staff include the following:

- Lack of LHD staff qualified or experienced in practice management and quality improvement processes (takes a good deal of DPH consultant time to train staff to a level where they can function alone)
- Expected organizational challenges to large scale change efforts, including staff acceptance of change and leadership communication of the value of and need for change (varies across LHDs)
- Competing priorities (LHD staff have difficulty balancing competing priorities and knowing how practice management, as a quality improvement strategy, should be a part of everyday work)
- LHD staff turnover (difficult to keep staff adequately trained)
- LHD staff experience difficulty with data analysis (lack of understanding what data and measures need to be tracked in order to have a clear picture of the LHD's fiscal state, and translating data analysis into change strategies)
- Turnover among DPH program staff who provide consultation to LHDs

Understanding these barriers, DPH LTAT staff have developed and are trialing a new practice management model to help reduce the amount of time DPH consultants need to spend on-site with LHDs and to address the problem of LHDs not being able to sustain the work. This effort includes, but is not limited to, the following:

- A practice management DPH consultant team meets monthly to discuss current projects, to make assignments for any new LHD requests for project management consultation, and to review and revise project management tools.
- LTAT has developed Excel workbooks that allow LHDs to input their practice management data. Workbooks auto populate charts, tables and graphs in order to make it easier for LHDs to know what indicators they need to be tracking and to perform data analysis.

DPH LTAT's goal is to evaluate the new model in 2017 to determine if it better supports LHDs in their efforts to sustain their practice management work.

SUMMARY

The one year of nonrecurring appropriations provided to LHDs for SFY 2016-17 was requested by the Department of Health and Human Services' Division of Public Health to serve as bridge funding for LHDs to provide local governments sufficient time to determine if local resources could be obtained to replace lost Medicaid reimbursement. However, Changing LHD systems of clinical care, scheduling, and reimbursement will take sustained investments by the LTAT Branch and by LHD staff. Therefore, the outcomes of reduced costs and improved reimbursement are not expected in the near term of several years even without the barriers noted above.

As a result of the barriers described above, it is expected that local governments will have to consider providing ongoing increased resources to LHDs to balance the shortfall of Medicaid reimbursements, as DPH does not have additional state funds to replace these lost funds.