

# Options for Creating a Separate Department of Medicaid Require Transition Planning

A presentation to  
Joint Legislative Program Evaluation Oversight Committee

March 25, 2013

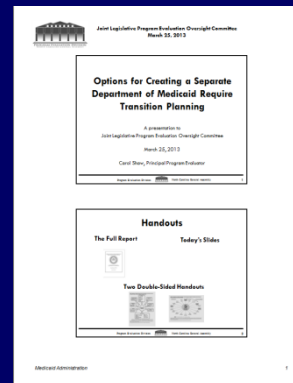
Carol Shaw, Principal Program Evaluator

# Handouts

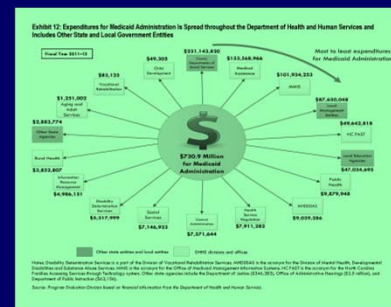
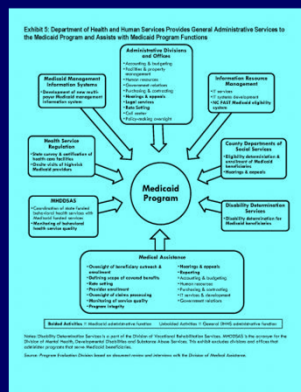
The Full Report



Today's Slides



## Two Double-Sided Handouts



# Study Direction

- Session Law 2012-142, Section 10.9B
- Joint study by the Program Evaluation Division and the Fiscal Research Division
- Study the feasibility of creating a separate Department of Medicaid

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# Evaluation Team

Carol Shaw, Evaluation Lead

Michelle Beck, Senior Evaluator

Richard Bostic, Principal Fiscal Analyst

Catherine Moga Bryant, Principal Evaluator

Pamela Taylor, Principal Evaluator

# Research Questions

- How does North Carolina administer and pay for the Medicaid Program?
- How do other states administer their Medicaid Program?
- What options exist for creating a separate Department of Medicaid?

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# Overview

- The Department of Health and Human Services (DHHS) is the single state agency responsible for the Medicaid Program and must operate within federal guidelines
- DHHS has broad flexibility to manage the Medicaid Program and has delegated Medicaid administrative functions to
  - the Division of Medical Assistance
  - other DHHS divisions and offices
  - other state agencies
  - local government agencies

# Overview

- Based on experiences in other states, options exist for changing the organizational structure of the North Carolina Medicaid Program
  - Department of Medicaid
  - Medicaid Program Authority
  - Department of Health Services
- Creating a new Medicaid agency in North Carolina has implications for the Medicaid Program, DHHS, and statewide business functions and would require a 12 to 18 month transition period

# Background





# NC Medicaid Program History

- North Carolina Medicaid Program began in 1970 after State Plan approval in 1969
- Has always been organized under a human services agency
- Current State Plan designates DHHS as the agency responsible for program administration

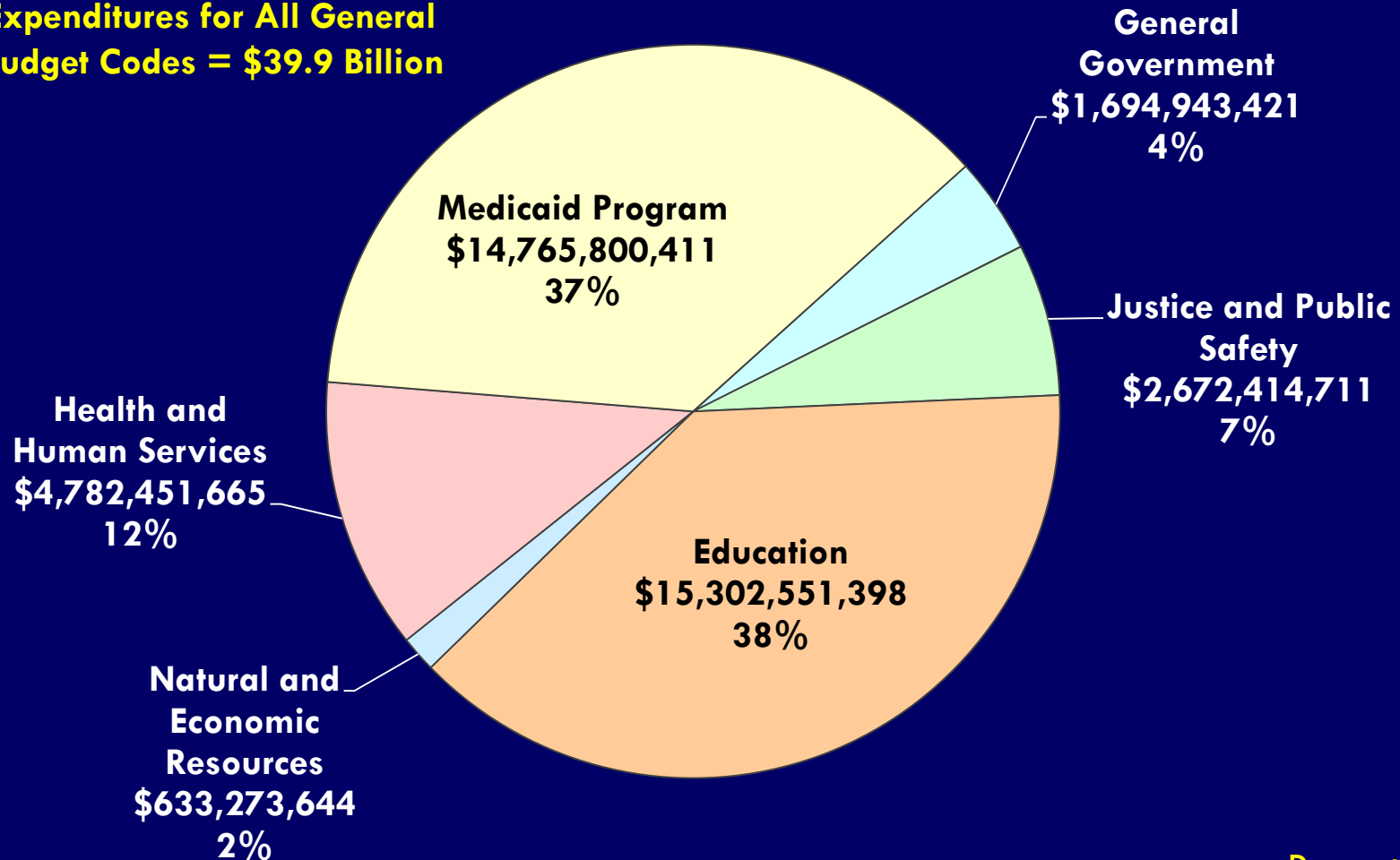
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# Medicaid Program Is the Second Largest in North Carolina State Government

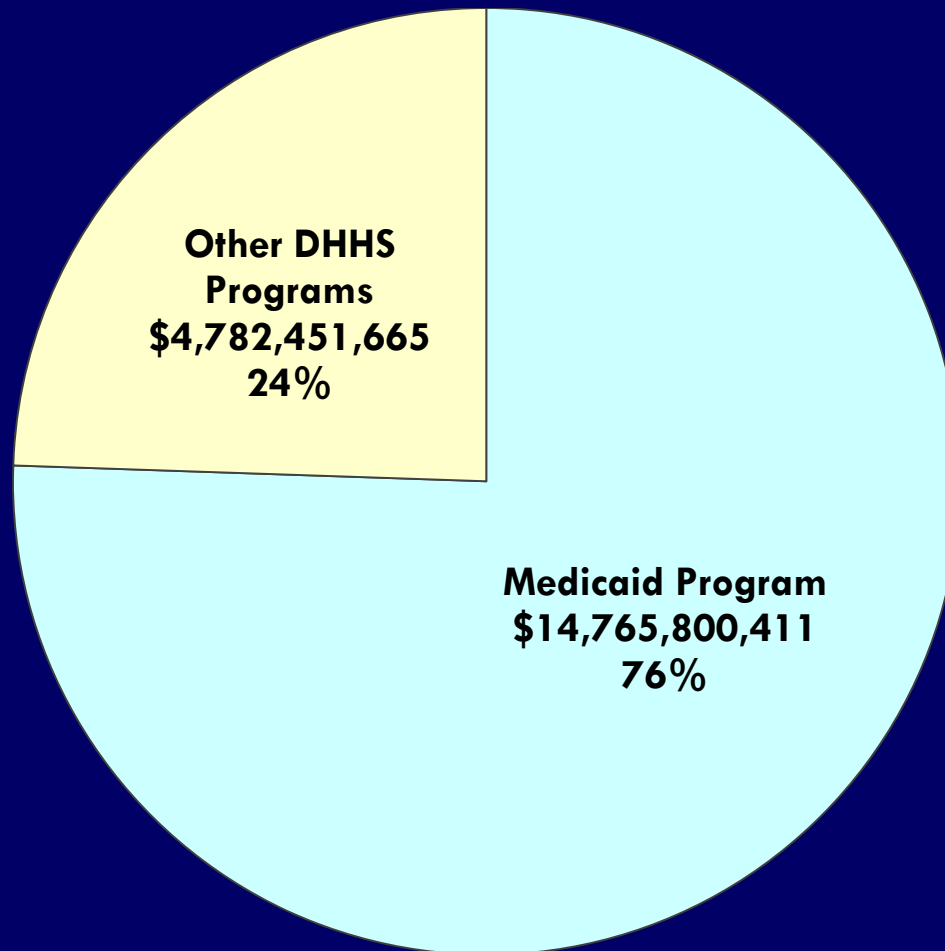
Fiscal Year 2011–12

Total Expenditures for All General Fund Budget Codes = \$39.9 Billion



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# Medicaid Program Expenditures Represent the Majority of DHHS's Total Expenditures



**Total Fiscal Year 2011–12 DHHS Expenditures = \$19.5 Billion**

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# How Does North Carolina Administer the Medicaid Program?

NC Division of  
Medical Assistance



# Current Medicaid Program Organization

- DHHS designated as single state agency responsible for administering the Medicaid Program
- Division of Medical Assistance (DMA) manages the Medicaid and Health Choice Programs and functions as a division within DHHS
- DMA is the only division reporting directly to DHHS Secretary

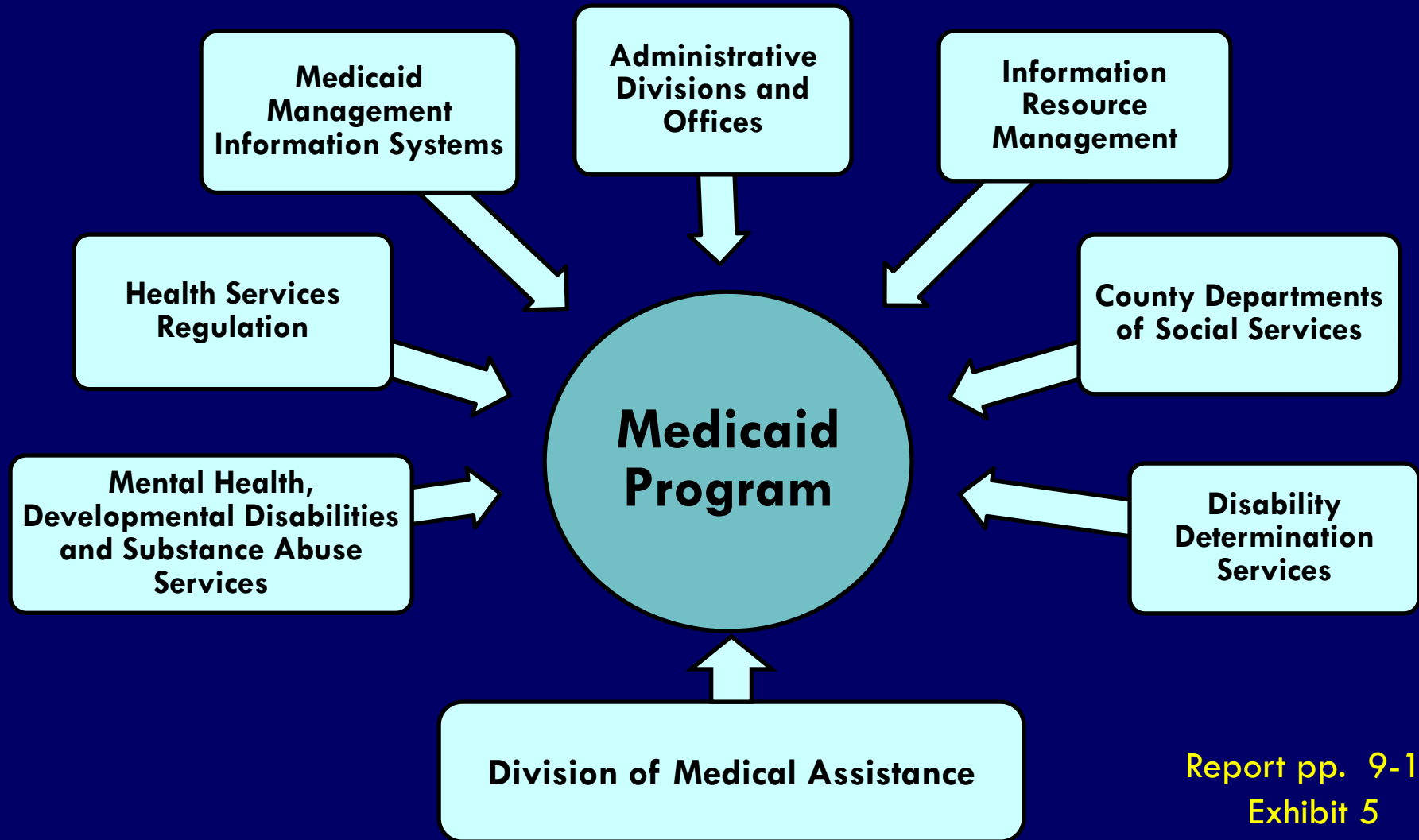
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# Other Governmental Entities and Contractors Perform Medicaid Administrative Functions

Administrative Functions	Division of Medical Assistance	Other State or Local Government Entity	Contractor
Beneficiary outreach & enrollment	✓	County Departments of Social Services Disability Determination Services	
Defining the scope of covered benefits	✓		✓
Setting provider and plan payment rates	✓	DHHS Central Administration	✓
Enrolling providers and plans	✓		✓
Payment of providers and plans	✓		✓
Monitoring service quality	✓	Division of Mental Health, Developmental Disabilities & Substance Abuse Services Division of Health Service Regulation	✓
Ensuring program integrity	✓	Department of Justice	✓
Processing appeals	✓	Office of Administrative Hearings DHHS Central Administration County Departments of Social Services	✓
Collecting and reporting information	✓		✓

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# DHHS Provides General Administrative Services and Assists with Medicaid Program Functions



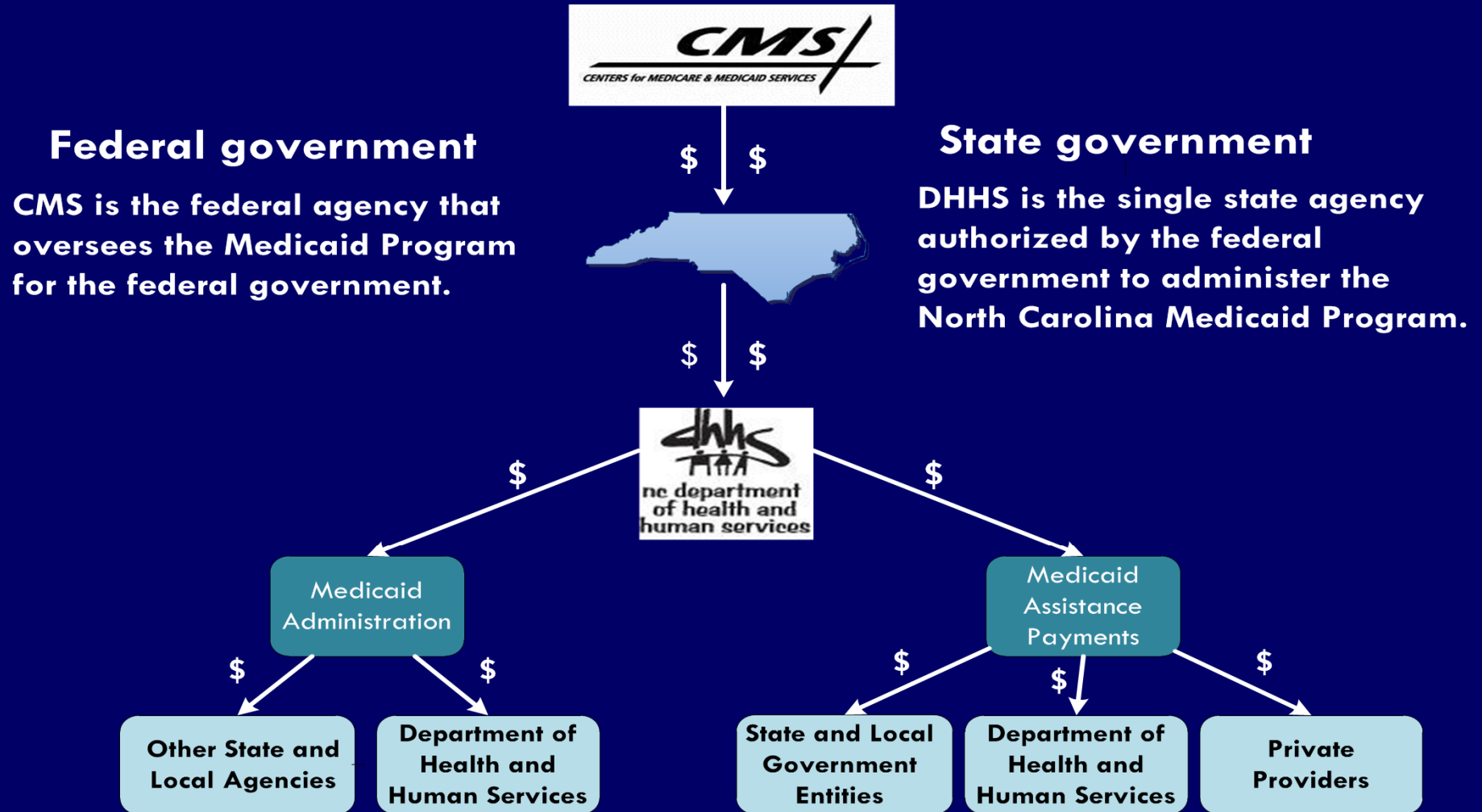
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Exhibit 5

# How Does North Carolina Pay for the Medicaid Program?



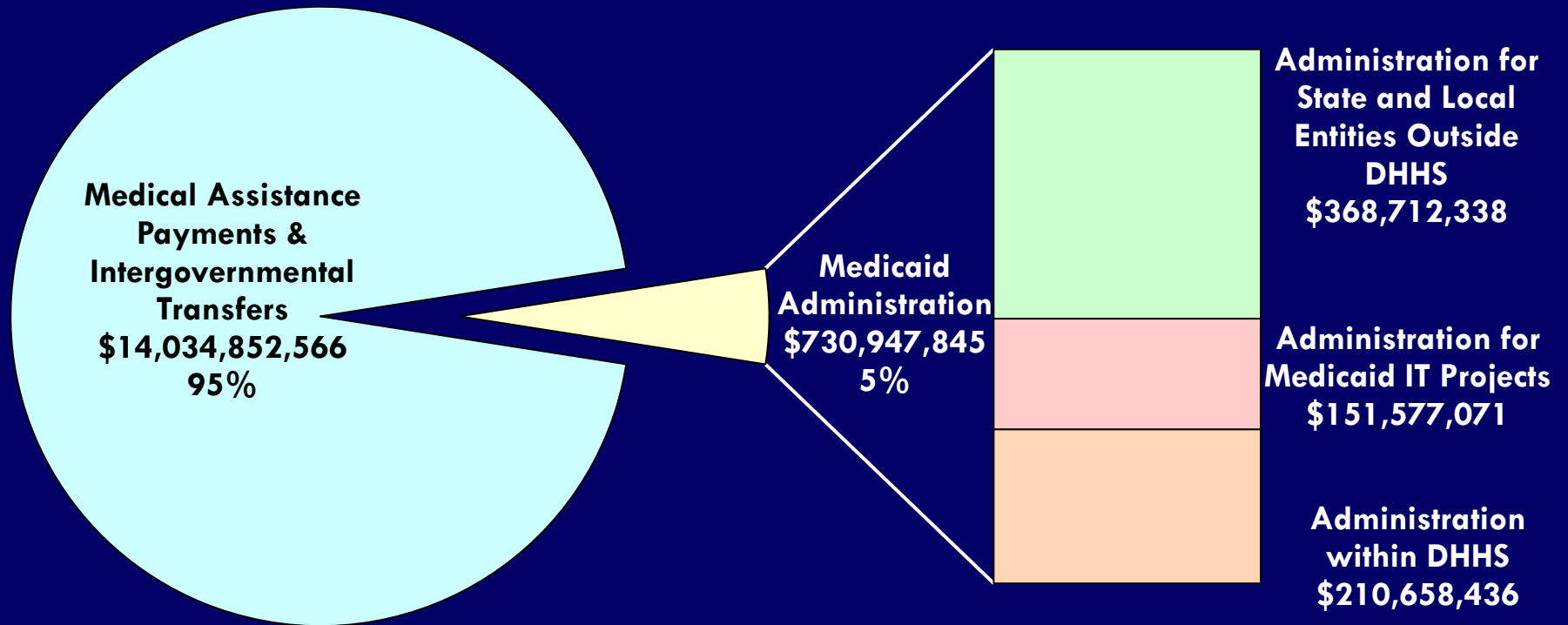


# Federal Government Provides Matching Funds for the Medicaid Program



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# DHHS Spent 5% of Medicaid Program Expenditures on Administration



**Total Fiscal Year 2011-12 Medicaid Program Expenditures = \$14.8 Billion**

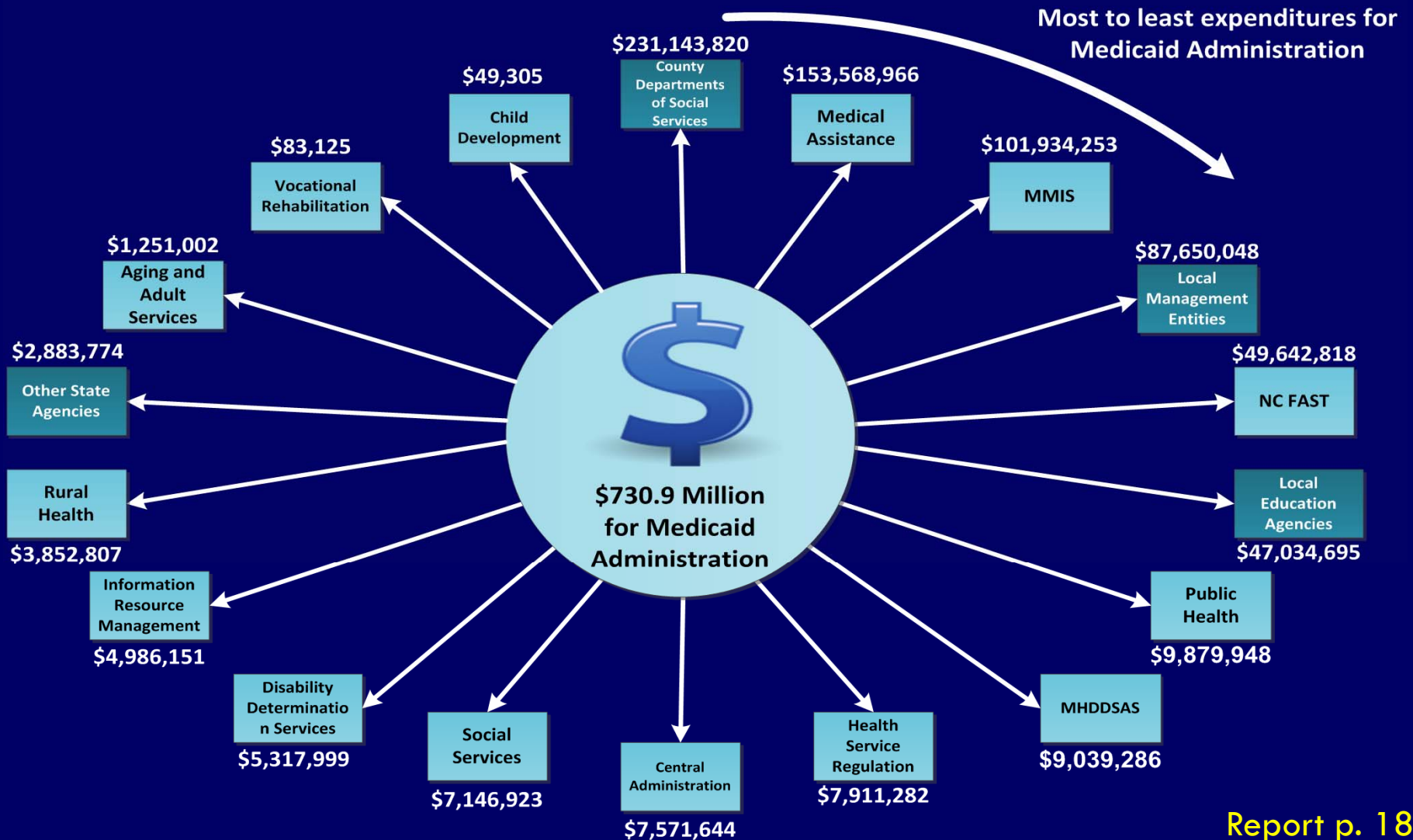
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# DHHS Maximizes Federal Medicaid Reimbursement for DHHS and Other State and Local Entities

- Performing Medicaid administration functions
- Providing general administrative support for the Medicaid Program
- Developing new information technology systems for the Medicaid Program
- Administering a program serving Medicaid beneficiaries

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# Expenditures for Medicaid Administration Are Spread throughout DHHS and Includes other State and Local Government Entities

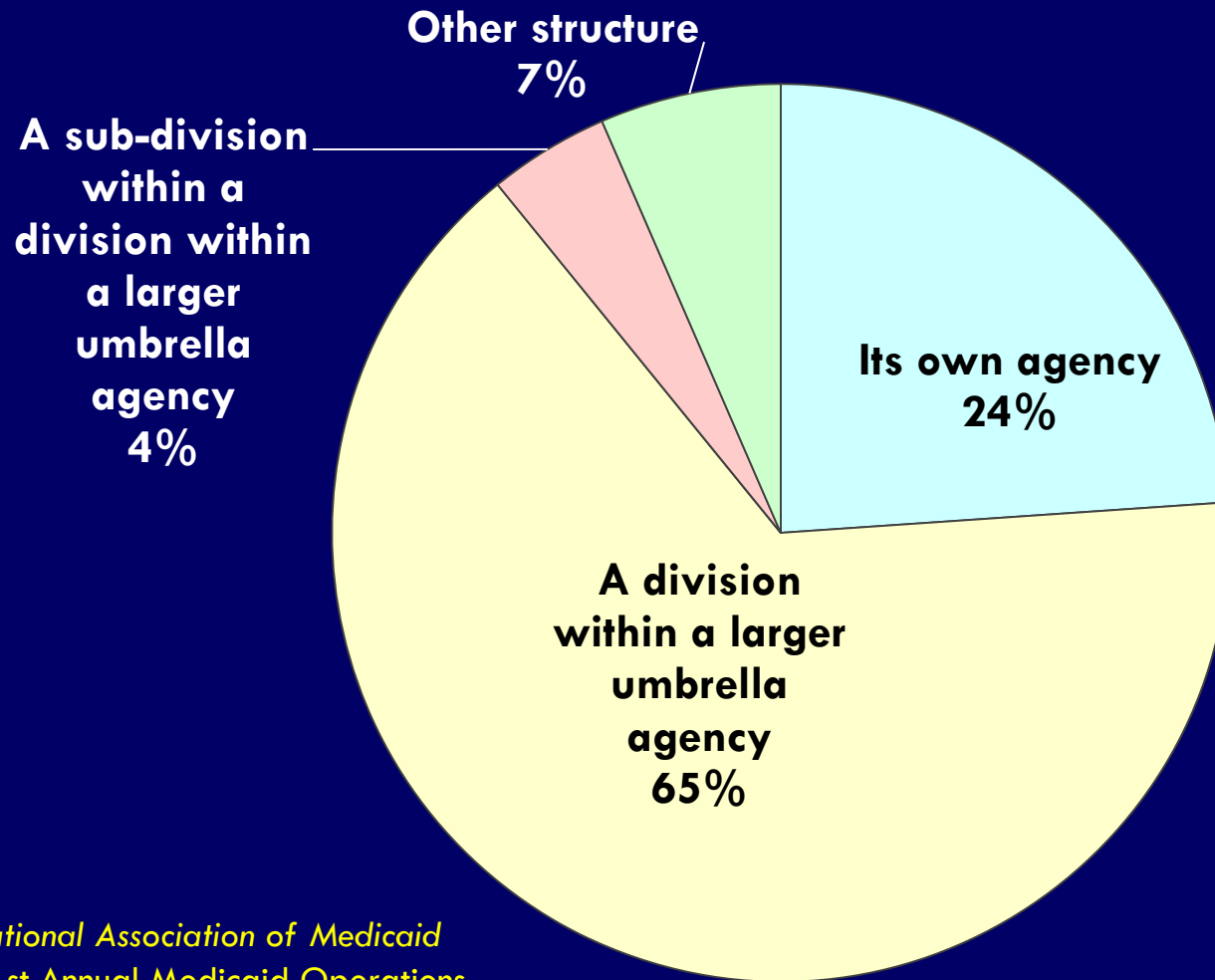


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# How Do Other States Administer their Medicaid Programs?



# The Medicaid Program Is a Stand-Alone Department in a Quarter of States



Source: National Association of Medicaid Directors, 1st Annual Medicaid Operations Survey: Chart Book, 2012.

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# Stand-Alone and Health Care Medicaid Agencies in Selected States

State	Medicaid Program Name (Year Structure Established)	Program Structure	Program Reports to	Monthly Medicaid Enrollment	Total Medicaid Expenditures
<b>Alabama</b>	Alabama Medicaid Agency (1977)	Stand-alone agency	Governor	783,083	\$ 4,748,845,604
<b>Mississippi</b>	Mississippi Division of Medicaid (1969)	Stand-alone agency	Governor	600,533	\$ 4,145,597,358
<b>Ohio</b>	Ohio Department of Medicaid (2013)	Stand-alone agency	Governor	1,937,176	\$15,261,773,582
<b>Oklahoma</b>	Oklahoma Health Care Authority (1993)	Stand-alone agency	Oklahoma Health Care Authority Board	601,315	\$ 4,119,103,272
<b>Oregon</b>	Division of Medical Assistance, Oregon Health Authority (2009)	Health care agency	Director, Oregon Health Authority	455,486	\$ 4,007,017,494
<b>Washington</b>	Washington Health Care Authority (2011)	Health care agency	Governor	1,036,615	\$ 7,062,773,112

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# Why States Change the Administrative Structure of their Medicaid Programs

Oklahoma and Ohio created a stand-alone Medicaid agency to

- elevate the Medicaid Program's status within state government
- provide stronger leadership and focus
- increase accountability for program costs
- improve program performance and efficiency

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# Why States Change the Administrative Structure of their Medicaid Programs

Oregon and Washington created a health care agency to

- establish a single point of accountability for health and health care costs
- leverage the purchasing power of multiple health care programs
- focus state health reform efforts
- improve program performance and efficiency

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# Importance of Transition Planning before Changing the Medicaid Program Administrative Structure

- Oklahoma, Ohio, Oregon, and Washington took six months to two years to complete the transition to a separate Department of Medicaid or a health care agency
- The transition period allowed time to determine the staff, contracts, and physical space that would be moved or affected

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# What Options Exist for Creating a Separate Department of Medicaid?



# Options for Changing the Organizational Structure for North Carolina's Medicaid Program

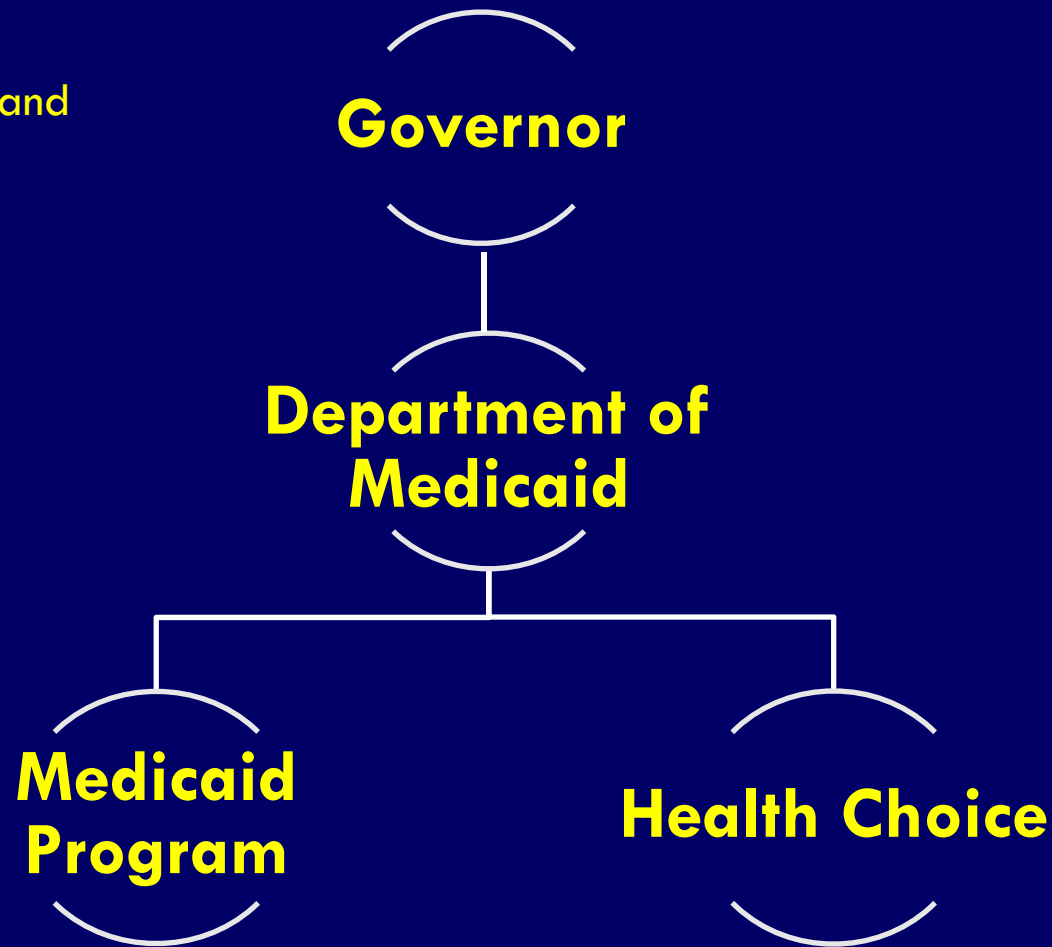
Based on examples in other states: Alabama,  
Ohio, Oklahoma, Oregon, and Washington

- Department of Medicaid
- Medicaid Program Authority
- Department of Health Services

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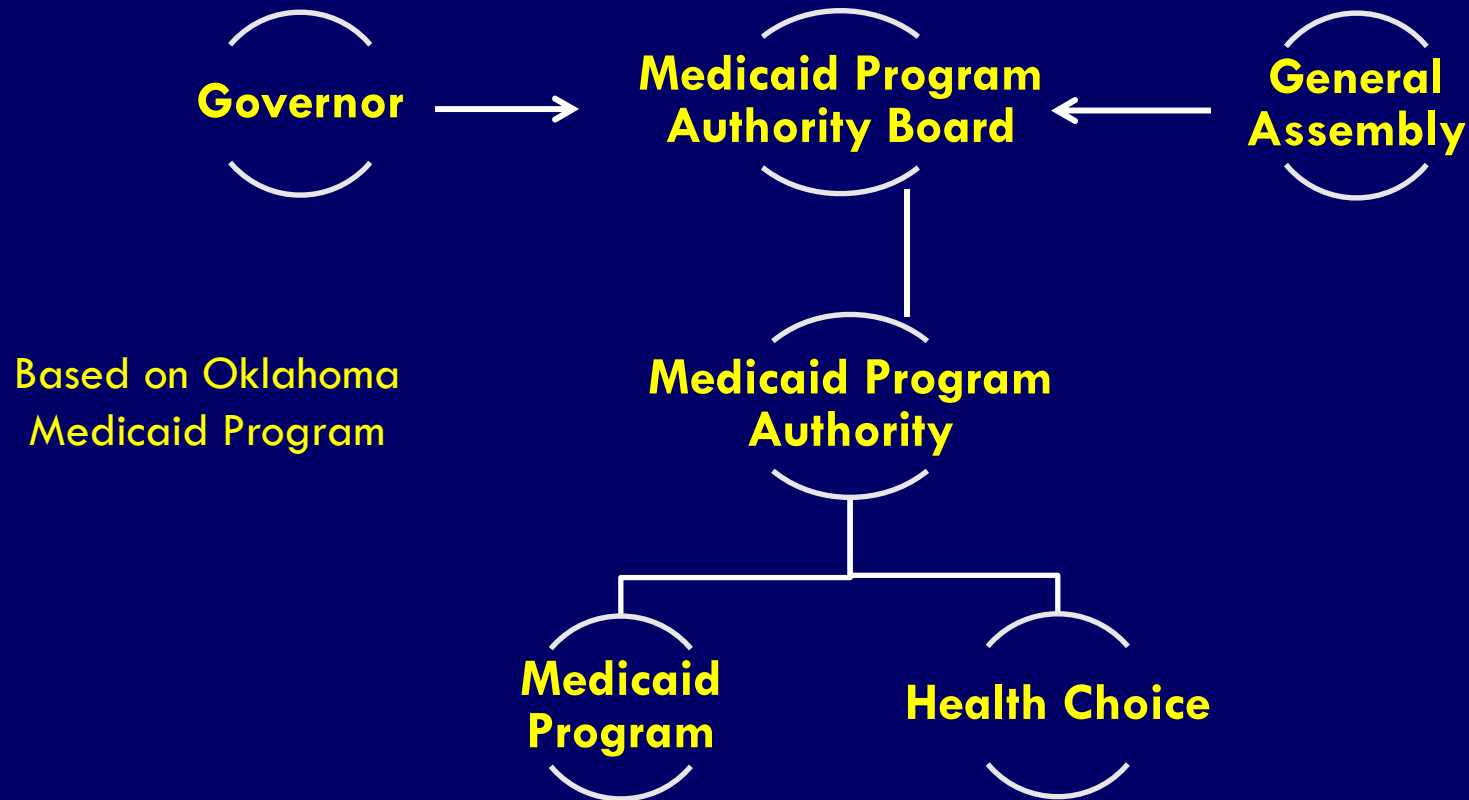
# Department of Medicaid

Based on Alabama and  
Ohio Medicaid  
Programs



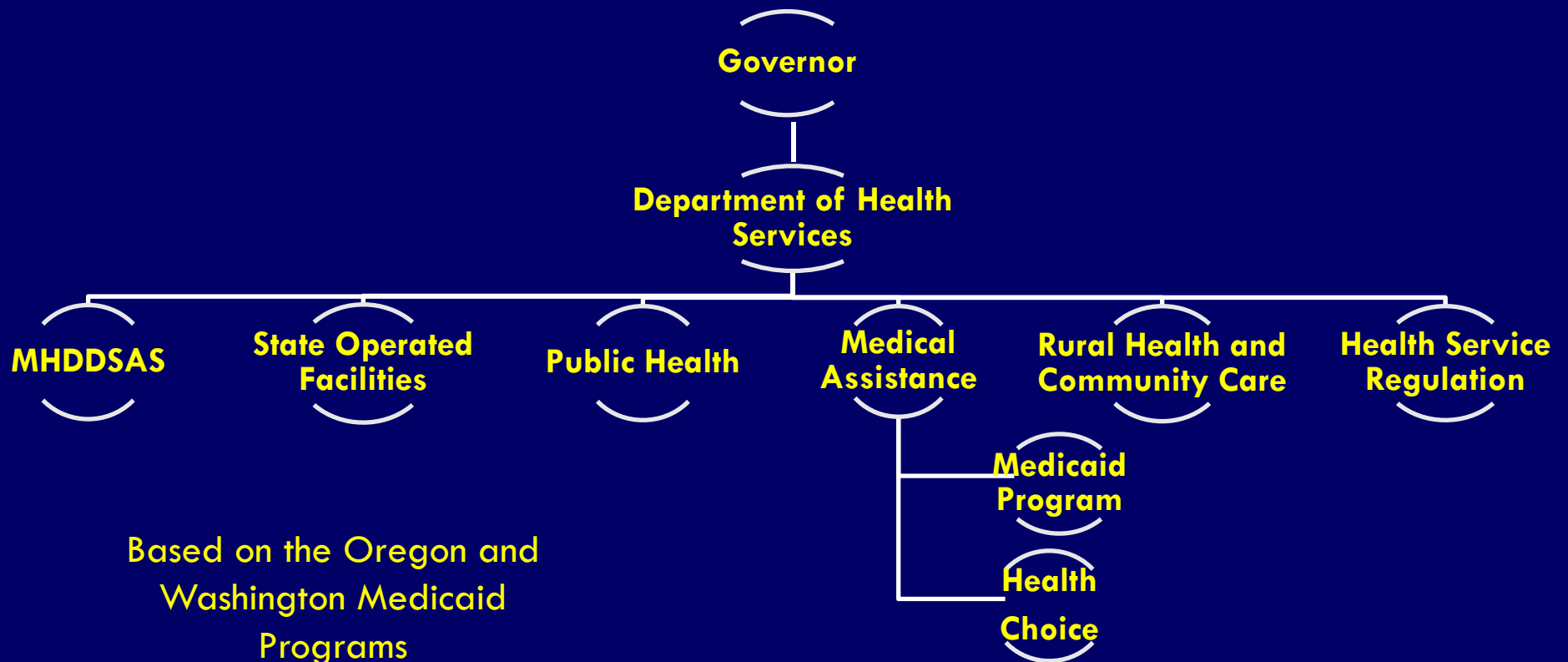
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# Medicaid Program Authority



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# Department of Health Services



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# Comparison of the Organizational Structure Options for the Medicaid Program

Option Attributes	Department of Medicaid	Medicaid Program Authority	Department of Health Services
Operates as separate department	✓	✓	
Operates within a health services department			✓
Reports to the governor	✓		✓
Reports to Medicaid Program Authority Board		✓	
Rule-making performed by department	✓		✓
Rule-making performed by Medicaid Authority Board		✓	

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# Implications for the NC Medicaid Program

Implications for the North Carolina Medicaid Program	Department of Medicaid	Medicaid Program Authority	Department of Health Services
Focus on the Medicaid Program	✓	✓	
Focus on health services programs			✓
Increased accountability for the Medicaid Program	✓	✓	
Increased independence for the Medicaid Program	✓	✓	
Increased policy-making transparency for the Medicaid Program	✓	✓	
Achieves economies of scale for general administration			✓
Co-located with health care programs receiving medical assistance payments			✓
Leverages health care program purchasing power			✓

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# Implications for the Department of Health and Human Services

- Policy-making
- Medicaid administrative functions
- Cost allocation
- General administrative and information technology support
- Facilities

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# Implications for State Government Business Functions

Restructuring state government organization affects statewide business functions

- Office of the State Controller – financial management
- Office of State Budget and Management – budgeting
- Department of the State Treasurer – financial management
- Department of Administration – e-procurement and mail services

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# Constitutional Limit on Number of Principal Administrative Departments Is Not an Impediment

- The North Carolina Constitution (Article III, Section 11) allows no more than 25 principal administrative departments
- Creation of the Department of Public Safety reduced the number of principal administrative departments to 20

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# Creating a New Medicaid Agency Would Require a 12 to 18 Month Transition Period

Allows DHHS and new Medicaid agency leadership to

- Develop mission and goals for the new Medicaid Agency
- Revise the Medicaid State plan
- Determine whether DHHS would continue to perform Medicaid administrative functions
- Coordinate Medicaid and DHHS policies
- Prepare public assistance cost allocation plans for the new Medicaid Agency and DHHS

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# Creating a New Medicaid Agency Would Require a 12 to 18 Month Transition Period

Allows DHHS and new Medicaid agency leadership to

- Identify administrative positions and information technology systems to be transferred to the new Medicaid agency
- Decide the location of the new Medicaid agency
- Identify cost savings or increases resulting from the reorganization
- Work with other state entities to make necessary changes to statewide business functions

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# Summary

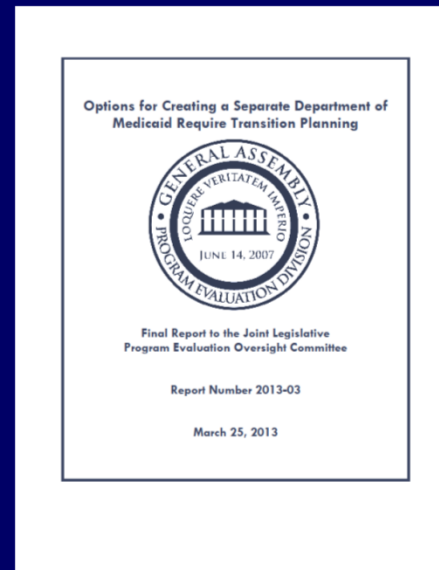
- Based on experiences in other states, options exist for changing the organizational structure of the North Carolina Medicaid Program
- Creating a new Medicaid agency has implications for the Medicaid Program, DHHS, and statewide business functions
- Creating a new Medicaid agency would require a 12 to 18 month transition period
- Creating a separate Department of Medicaid may not be only way to improve the management of the North Carolina Medicaid Program

# Committee Instructions to Staff





**Report available online at  
[www.ncleg.net/PED/Reports/reports.html](http://www.ncleg.net/PED/Reports/reports.html)**



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