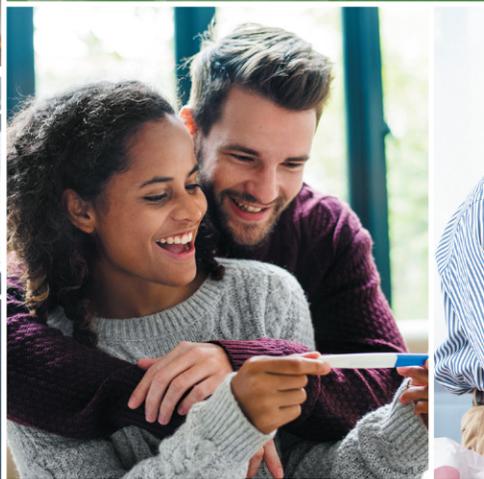


NORTH CAROLINA

# Medicaid and NC Health Choice

Annual Report for State Fiscal Year 2021  
July 1, 2020 – June 30, 2021



*Building a healthier North Carolina.*





## North Carolina Department of Health and Human Services Strategic Goals

Advance health equity by reducing disparities in opportunity and outcomes for historically marginalized populations within NCDHHS and across the state.

Help North Carolinians end the pandemic, control the spread of COVID-19, recover stronger and be prepared for future public health crises with an emphasis on initiatives serving those communities most impacted.

Build an innovative, coordinated and whole-person—physical, mental and social health—centered system that addresses both medical and non-medical drivers of health.

Turn the tide on North Carolina's opioid and substance use crisis.

Improve child and family well-being so all children have the opportunity to develop to their full potential and thrive.

Support individuals with disabilities and older adults in leading safe, healthy and fulfilling lives.

Achieve operational excellence by living our values—belonging, joy, people-focused, proactive communication, stewardship, teamwork and transparency.

[2021-2023 NCDHHS Strategic Plan](#)

## North Carolina's Goals for NC Medicaid Managed Care

Measurably improve health

Maximize value to ensure program sustainability

Increase access to care

State of North Carolina • Roy Cooper, Governor

Department of Health and Human Services • Kody Kinsley, Secretary • [ncdhhs.gov](https://ncdhhs.gov)

NC Medicaid • [medicaid.ncdhhs.gov](https://medicaid.ncdhhs.gov)

Medicaid Transformation • [ncdhhs.gov/nc-medicaid-transformation](https://ncdhhs.gov/nc-medicaid-transformation)

COVID-19 Medicaid Resources and Guidance • [medicaid.ncdhhs.gov/about-us/covid-19-guidance-and-resources](https://medicaid.ncdhhs.gov/about-us/covid-19-guidance-and-resources)

The Department of Health and Human Services does not discriminate based on race, color, national origin, sex, religion, age or disability in employment or the provision of services.

# Message from Kody H. Kinsley

## Secretary, NC Department of Health and Human Services

I want to express my appreciation to the NC Medicaid team for their outstanding commitment over the past year in supporting the health of Medicaid beneficiaries across the state while also playing a key role in our state's continued response to the COVID-19 pandemic. In addition, our dedicated staff worked diligently with advocates, providers, health plans and other partners to prepare for the biggest change in Medicaid's history as the program transitions from fee-for-service to managed care.

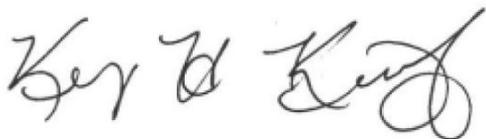
The services provided by NC Medicaid impact the lives of more than 2.3 million North Carolinians and will be integral to helping us achieve success as we focus on the Department's three key priorities: 1) Behavioral Health & Resilience; 2) Child & Family Wellbeing; and 3) Strong & Inclusive Workforce.

**Behavioral Health & Resilience.** With nearly one in three North Carolinians reporting symptoms of depression and/or anxiety, access to behavioral health services is a critical challenge for our state. In providing these services we also need to ensure a whole-person health focus as those with behavioral health conditions are more likely to have co-occurring physical health conditions. Through our innovative Medicaid Managed Care program, we are investing in coordinated systems of care that make behavioral health services easy to access and reduce the stigma around accessing these services.

**Child & Family Wellbeing.** With almost 525,000 children enrolled in Medicaid in North Carolina, their well-being is a top priority of the Department. We continue to work closely with our partners to identify new opportunities within the Medicaid program to improve the health of children and families. That includes the Integrated Care for Kids (InCK) Pilot which seeks to improve lives by coordinating health, education and social needs of children and families. The Healthy Opportunities Pilots Program, now underway, is the nation's first comprehensive program to test evidence-based, non-medical interventions, which are designed to improve the health of Medicaid beneficiaries while reducing costs.

**Strong & Inclusive Workforce.** We will also work to strengthen the workforce that supports early learning, health and wellness. Our outstanding direct care workers and other caregivers have been exemplary in their dedication to serving Medicaid beneficiaries. With the support of the NC General Assembly, Medicaid worked to provide one-time bonuses of up to \$2,000 to eligible direct care workers (DCWs) and support staff. As of April 2022, NC Medicaid distributed funds to nearly 2,500 providers for payment of bonuses to over 61,000 DCWs and support staff. We will continue to identify opportunities through Medicaid to support our valuable teams of providers and caregivers in creating an equitable workplace that lives its values to ensure that all people have the opportunity to be fully included members of their communities.

I look forward to partnering with beneficiaries, providers and other stakeholders across the state in this continued effort to make NC Medicaid the best it can be for the North Carolinians we serve.



# Message from Dave Richard

## Deputy Secretary, NC Medicaid

On behalf of NC Medicaid and the North Carolina Department of Health and Human Services, I am pleased to share the “**NC Medicaid Annual Report for State Fiscal Year 2021**” (July 1, 2020 through June 30, 2021). This report provides North Carolinians with an overview of how tax dollars support our residents and outlines the many accomplishments achieved over the past year.

NC Medicaid supports the health and wellbeing of more than 2.3 million North Carolinians, nearly one in four people across our state. At its core, the NC Medicaid program provides critical health insurance coverage for individuals and families with low income but also goes much further in improving the lives of North Carolinians of all ages. That includes supporting medically fragile children, people with severe mental illness, as well as those in adult care homes and nursing homes. This report highlights the programs that so many North Carolinians rely on and includes individual stories that underscore the tremendous impact NC Medicaid has on the lives of beneficiaries and their families every day.

The past year was a particularly important year for NC Medicaid as we worked closely with beneficiaries, providers, health plans, county partners and many other stakeholders to prepare for the transition to managed care. Since the passage of legislation in 2015 that began the state’s transition to managed care, we have worked hard to build an innovative health care delivery system that puts the health of beneficiaries at the forefront. This includes establishing a payment structure that rewards better health outcomes, integrating physical and behavioral health, and investing in non-medical interventions aimed at reducing costs and improving the health of Medicaid beneficiaries. NC Medicaid Managed Care launched on July 1, marking the biggest change in NC Medicaid to date.

At the same time, NC Medicaid continued to play a key role in the state’s response to the COVID-19 Pandemic. NC Medicaid worked hard to support providers on the front lines by extending temporary rate increases due to COVID-19 for most Medicaid services. We also continued to work with our federal partners to add flexibilities and with the General Assembly to provide financial support. NC Medicaid also worked closely with the department to launch the Quarantine and Isolation Support Services Program to provide supports to individuals in isolation or quarantine during the pandemic. Throughout the response, we have continued to keep equity at the forefront, with a specific focus on reaching our historically marginalized populations which have been disproportionately impacted by the pandemic.

The NC Medicaid program achieved these significant accomplishments while ending the year \$201 million under budget, the eighth consecutive year NC Medicaid finished with cash-on-hand. By blending stakeholder collaboration with rigorous analysis and monitoring, NC Medicaid financial efforts enabled leaders to pursue innovative services while staying within the appropriated state budget.

I am grateful for the tireless efforts of the NC Medicaid team and our many partners who continued to serve our beneficiaries despite the many challenges we have faced during this past year. We look forward to building on these efforts in the year ahead and working collaboratively on behalf of the individuals and families that rely on NC Medicaid.



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## About the NC Medicaid Annual Report

The “North Carolina Medicaid and NC Health Choice Annual Report for State Fiscal Year 2021” is an overview of the primary accomplishments and financial results of the Medicaid and NC Health Choice programs, administered by the NC Department of Health and Human Services’ Division of Health Benefits (NC Medicaid).

All profiles, case studies and personal quotes were provided with permission of the people attributed.

The NC Medicaid Annual Report uses data and facts from the following sources, unless noted otherwise: Financial figures from the NC Medicaid Certified Monthly Budget Report (NCAS BD-701); beneficiary count and geographic distribution from the NC Medicaid Monthly Enrollment Report; provider count, beneficiary age and gender from NC Medicaid customer data retrievals; claims processed and amount paid from the NCTracks Checkwrite Report.

Prior NC Medicaid Annual Reports are on the NC Medicaid website at [medicaid.ncdhhs.gov/reports](https://medicaid.ncdhhs.gov/reports). Additional information on the Department’s transformation to NC Medicaid Managed Care is at [ncdhhs.gov/nc-medicaid-transformation](https://ncdhhs.gov/nc-medicaid-transformation).

Please call the North Carolina Medicaid Contact Center at 888-245-0179 with questions or requests for more information.



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## What is “Medicaid”?

Medicaid provides health coverage to eligible low-income adults, children, pregnant women, seniors and people with disabilities. Medicaid is jointly funded by North Carolina and the federal government. All states offer some form of Medicaid coverage.

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## What is “NC Health Choice”?

NC Health Choice is our state’s name for the Children’s Health Insurance Program (CHIP). The program provides health coverage to eligible children in addition to Medicaid. NC Health Choice is jointly funded by North Carolina and the federal government. All states offer some form of CHIP.

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## Executive Summary

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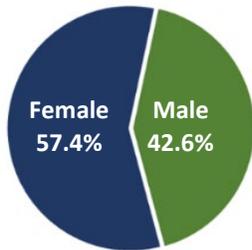
In state fiscal year 2021 (July 1, 2020 through June 30, 2021), NC Medicaid resumed its preparations for the transition to managed care while continuing to balance its ongoing response to the COVID-19 pandemic. On July 1, 2021, the Department reached a significant milestone: The launch of NC Medicaid Managed Care Standard Plans. This momentous achievement was attained while the Medicaid team continued providing an average of more than 2.3 million people in North Carolina with access to quality care and services; improving existing programs and operations; and responding to the COVID-19 pandemic. These efforts are evidence of the commitment of the NC Medicaid team to make a real difference in the lives of the people of North Carolina.

EXHIBIT 1

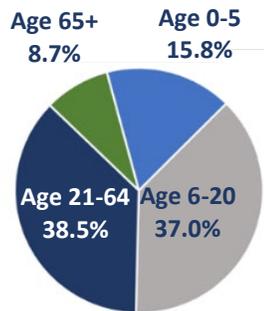
# Snapshot: North Carolina Medicaid and NC Health Choice – State Fiscal Year 2021

FINANCIALS (\$ billion)		STATISTICS	
Expenditures	\$18.1	NC Medicaid Beneficiaries <sup>1</sup>	2.3 million
Federal Revenue	\$12.3	- Medicaid	2.2 million
Other Revenue	\$ 1.9	- NC Health Choice	137 thousand
State Appropriations <sup>2</sup>	\$ 3.9	Providers <sup>3</sup>	74.7 thousand
		Claims Processed <sup>4</sup>	227 million

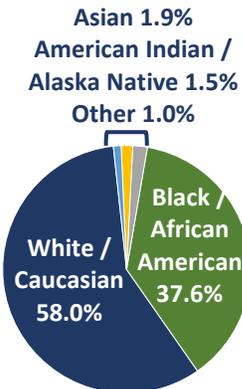
### GENDER<sup>5</sup>



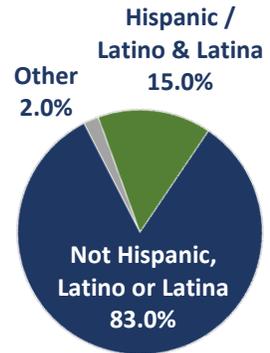
### AGE<sup>5</sup>



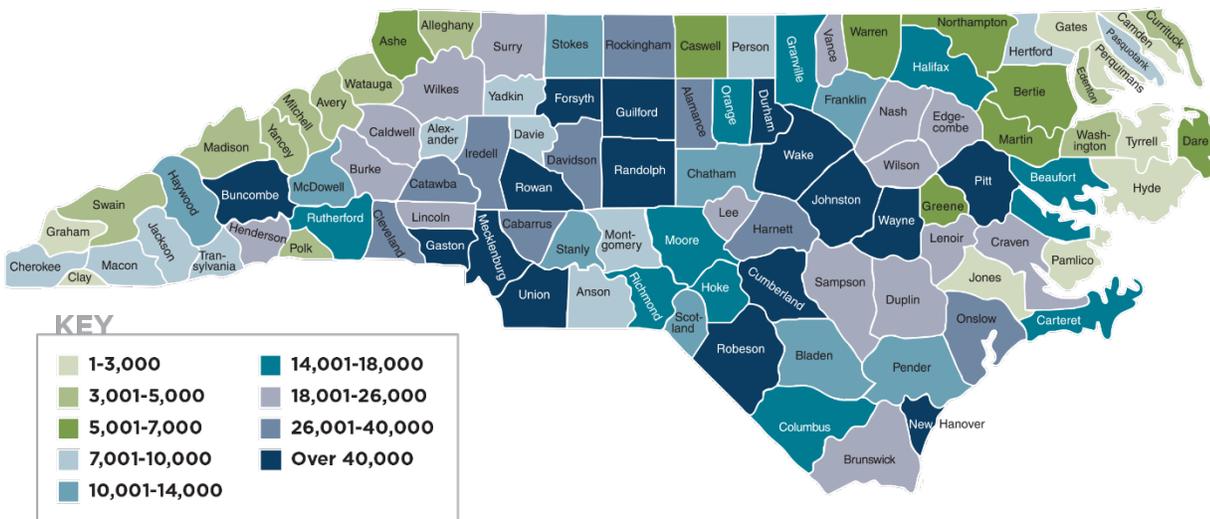
### RACE<sup>5</sup>



### ETHNICITY<sup>5</sup>



## TOTAL BENEFICIARIES BY COUNTY



<sup>1</sup> Average monthly beneficiaries. Throughout the report, “Medicaid beneficiaries” includes the total Medicaid and NC Health Choice programs’ beneficiaries at 2.3 million.

<sup>2</sup> Sums are affected by rounding.

<sup>3</sup> Provider count represents unique National Provider Identifiers registered in the NC Medicaid system.

<sup>4</sup> 252 million claims processed represents approximately \$15 billion paid through NCTracks in state fiscal year 2021.

<sup>5</sup> Beneficiary gender, age, race, ethnicity percentages represent all individuals who applied for NC Medicaid benefits in state fiscal year 2021. Applicants are not required to state race or ethnicity; therefore, unreported data are not included.

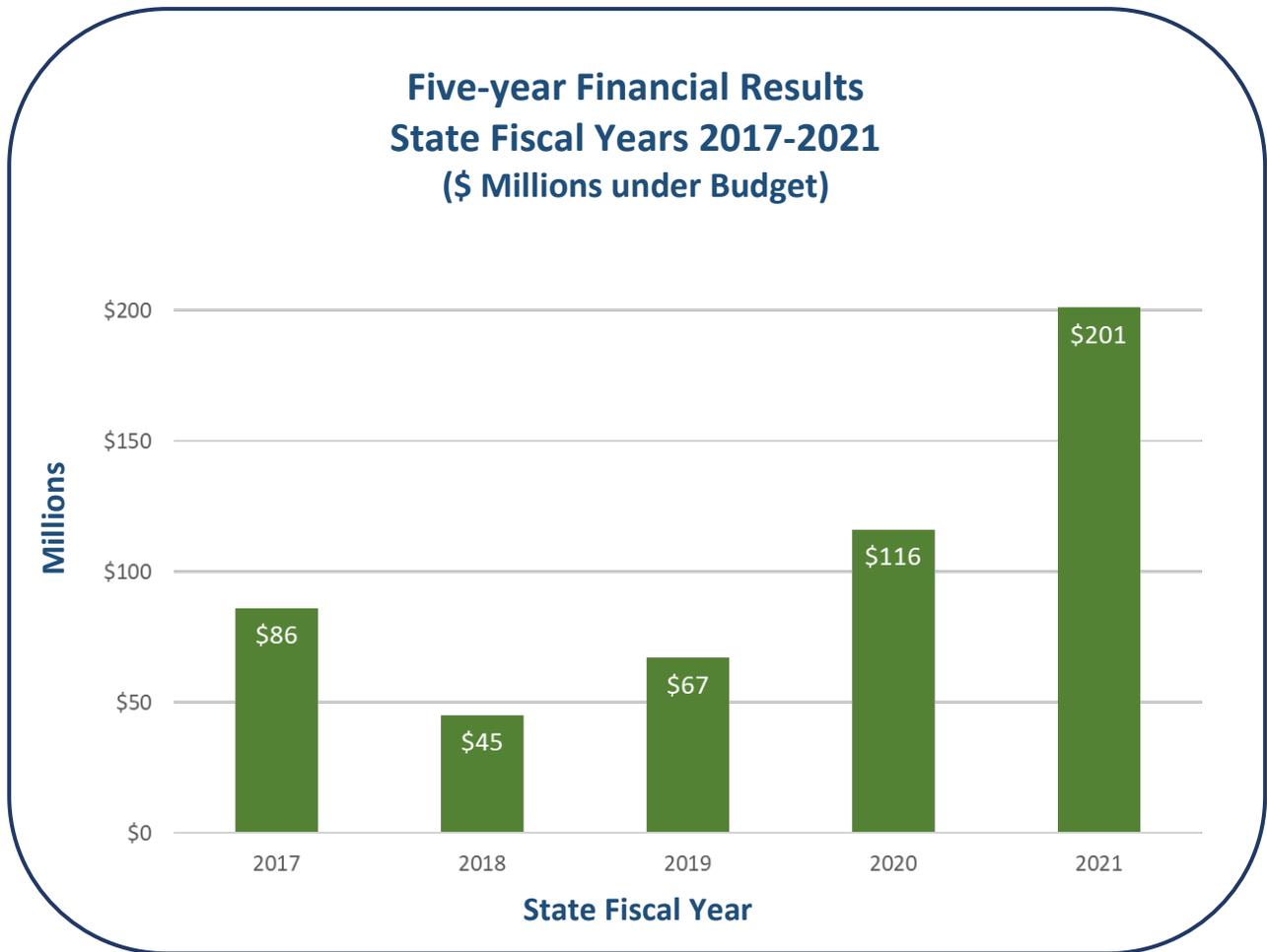
Additional data sources used in this report are listed on page iii.

# High-level Financial Results

## \$201 million under budget

The NC Medicaid budget finished state fiscal year 2021 with cash-on-hand for the eighth consecutive year. Providing health coverage to more than 2.3 million people in North Carolina, these programs came in at \$201 million under budget. This lower utilization of services was affected by the surge in COVID-19, which contributed to minimizing non-urgent procedures and an increase in beneficiaries staying home. Actual state appropriations for Medicaid and NC Health Choice programs totaled approximately \$3.9 billion, up from \$3.8 billion in state fiscal year 2020.

EXHIBIT 2



# Accomplishments

## State Fiscal Year 2021 Accomplishments: Programs and Services

In state fiscal year 2021, NC Medicaid served more beneficiaries than the prior year, continued managing temporary policy modifications to support access to care during the second full year of COVID-19 and prepared for the July 1, 2021, launch of NC Medicaid Managed Care. The NC Medicaid team also continued to strengthen ongoing operations through innovations and improvements. State fiscal year 2021 key accomplishments, in addition to completing the year under budget (see Exhibit 2 on page 3), are listed below:

- **COVID-19.** In September 2020, the Department and NC Medicaid launched the Quarantine and Isolation Support Services Program to provide supports to individuals in isolation or quarantine during the COVID-19 pandemic. In April 2021, the Quarantine and Isolation Supports Services Program ended after providing services to over 35,000 households, with most resources being provided in historically marginalized communities.
- **Community Alternatives Programs (CAP).** In October 2020, the CAP for Children (CAP/C) and CAP for Disabled Adults (CAP/DA) waiver programs implemented an interim workaround process of accepting and reviewing referrals and assessments for consideration of enrollment while NC Medicaid completes a Request for Proposal (RFP) to onboard a Comprehensive Independent Assessment Entity. This entity will process requests for home- and community-based services for individuals needing long-term services and supports. The onboarding of this entity will promote a “no wrong door” approach and a faster enrollment timeline for individuals needing CAP/C or CAP/DA services. From the onset of this interim plan, the enrollment in CAP/C increased by 357 from July 2020, for a total enrollment of 3,092 by June 30, 2021. The CAP/DA waitlist reduced from 2,078 to 940 individuals by June 30, 2021.
- **Early and Periodic Screening, Diagnostic and Treatment (EPSDT).** EPSDT addresses the special challenges to good health, physical growth and emotional/learning development that Medicaid-eligible children face. In state fiscal year 2021, more than 96% of children under age 1 and 83% of children ages 1 to 2 received all recommended preventive check-ups, including infant/toddler vaccines.
- **Fraud, Waste and Abuse.** The NC Medicaid Office of Compliance and Program Integrity performed prepayment reviews that resulted in denied or reduced claims representing \$41,466,566 in reduced costs to the state and recovered \$8,545,068 from post-payment reviews; \$396,997 from beneficiary reviews; and \$295,506 from county audits.
- **Healthy Opportunities.** In May 2021, the Department announced the organizations selected to serve three regions of the state as Healthy Opportunities Network Leads (formerly known as Lead Pilot Entities) in 33 primarily rural counties. This marked a major milestone toward launching the Healthy Opportunities Pilots, which will test evidence-based, non-medical interventions to reduce costs and improve the health of Medicaid beneficiaries.
- **NCARE360.** In June 2021, all LME/MCOs and health plans were fully onboarded to use NCCARE360. The platform developed in partnership with the Foundation for Health Leadership & Innovation will be used by the health plans as part of their care management activities. Over 30,000 clients have been served using the NCCARE360 platform, which provides a coordinated, community-oriented and person-centered approach to delivering care in North Carolina.

- **NC Medicaid Managed Care.** NC Medicaid received state approval to continue its preparations to transition approximately 1.6 million beneficiaries to NC Medicaid Managed Care Standard Plans on July 1, 2021. This was the first time North Carolina beneficiaries had to enroll in a health plan and choose a primary care provider from that health plan’s network.

Also on July 1, the Department, partnering with the Cherokee Indian Hospital Authority, launched the Eastern Band of Cherokee Indians (EBCI) Tribal Option—the first managed care entity of its kind in the nation.

For financial information, see “[Factors Affecting State Fiscal Year 2021 Financial Results](#)” on page 54. More information on program services and practices for state fiscal year 2021 is available in “[Overview of NC Medicaid Programs and Services](#)” beginning on page 58 and on the [NC Medicaid website](#).<sup>6</sup>



<sup>6</sup> Medicaid programs and services are described on the NC Medicaid website at [medicaid.ncdhhs.gov/providers/programs-services](https://www.ncdhhs.gov/providers/programs-services)

## A Look Ahead: State Fiscal Year 2022

In state fiscal year 2022, the NC Medicaid team will continue strengthening its valuable partnerships with stakeholders across North Carolina as it reaches another major achievement toward treating the whole person by launching NC Medicaid Behavioral Health I/DD Tailored Plans.

NC Medicaid anticipates the following activities and initiatives will be some of its key initiatives over the next state fiscal year:

- **NC Medicaid Managed Care.** On July 1, 2021, the first day of the next state fiscal year, the Department launched the NC Medicaid Managed Care Standard Plans and the Eastern Band of Cherokee Indians (EBCI) Tribal Option. This historic milestone will change how the majority of North Carolina beneficiaries will receive, and how providers will deliver, Medicaid and NC Health Choice programs and services. The NC Medicaid team will be evaluating health plan performance among its new responsibilities while continuing the daily operations and improvements for NC Medicaid Direct for the beneficiaries not in NC Medicaid Managed Care.
- **Healthy Opportunities.** The Department will continue to work closely with Network Leads in the three Healthy Opportunity Pilot regions. The Network Leads, along with their contracted Health Service Organizations, will build the infrastructure to prepare for the Pilots' launch in early 2022. The Healthy Opportunities Pilots program will test evidence-based, non-medical interventions to reduce costs and improve the health of Medicaid beneficiaries. Food, housing and transportation, and interpersonal safety services are planned for integration into health care delivery through the program.
- **Health Equity.** Efforts will continue to improve health equity by reducing health disparities in historically marginalized populations (HMPs) throughout North Carolina and include a targeted focus on rural areas. Objectives include incentivizing health plans to invest in unmet health-related resource needs to prioritize HMPs; incorporate social risk factors in developing managed care health plan capitation rates to ensure they reflect the underlying costs of providing care for HMPs; ensure advisory committees include members who represent the diversity of North Carolina; improve availability of translation services for medical care; and use state-directed payments to ensure access to high-quality care for providers who serve HMPs.
- **COVID-19 Response.** NC Medicaid will continue to ensure beneficiaries can receive care and that providers have the support needed to deliver services and operate their businesses. By reviewing state and national data, NC Medicaid will evaluate the effectiveness of temporary policy modifications and explore new methods to reach those with the most need. NC Medicaid will also fully evaluate and adjust temporary flexibilities to accommodate changes in the impact of the pandemic and public health emergency declaration.

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## Making North Carolina Healthier

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### NC Medicaid people and programs in action

NC Medicaid is committed to introducing and enhancing programs and services to improve the health of North Carolinians. By listening to residents, holding discussions and analyzing state data, NC Medicaid can develop solutions with community partners that best address the needs of North Carolinians.

In state fiscal year 2021, NC Medicaid began using results of temporary policy modifications, new initiatives and enhanced financial support in response to COVID-19 to generate new health initiatives and strengthen current programs. By viewing individual activities as investments in an NC Medicaid “primary care infrastructure.” Examples in the NC Medicaid Annual Report include the health equity payment initiative (see page 29) and the Healthy Opportunities Screening and Referral (HOSAR) Payment Program (see page 36).

## Community Alternatives Programs

Community alternatives programs cover home- and community-based services that make care at home possible for many people who might otherwise be placed in an institutional setting.

Community alternatives programs (CAPs) supplement formal and informal services and supports already available to a beneficiary. The programs are for situations where no household member, relative, caregiver, landlord, community agency, volunteer agency or third-party payer is able or willing to meet all medical, psycho-social and functional needs of the Medicaid beneficiary.

There are two CAPs that permit home- and community-based services to be provided, one program for children (CAP/C) and another for disabled adults (CAP/DA):

- CAP/C participants are children, including foster children, from birth through age 20 who are medically fragile.<sup>7</sup>
- CAP/DA participants are adults age 18 and older with disabilities and seniors age 65 and older.

### State Fiscal Year 2021

#### Accomplishments – CAP/C

- The NC Medicaid CAP/C team began stakeholder engagement to initiate the renewal of the CAP/C waiver set to expire Feb. 28, 2022. These efforts included workgroups, information sessions and fiscal planning. The renewal waiver focuses on person-centered service interventions, quality assurance and improvement for beneficiary satisfaction and provider effectiveness, and equity and diversity.
- The NC Medicaid CAP/C team continued to work with the CAP/C Advisory Council (statewide representatives from advocacy groups such as Disability Rights NC and home- and community-based care associations). This year, NC Medicaid and the Advisory Council held four meetings to discuss relevant issues and worked together to develop waiver program changes and service initiatives.

### How Medicaid Serves the People and Communities of North Carolina

*Community alternative programs for children and disabled adults:*

Keep individuals out of institutions and in the family home & community

Allow family members to work

Provide paraprofessionals in underserved areas

<sup>7</sup> LTSS Program guidance, 2021. A medically fragile condition is defined as a chronic physical condition which results in a prolonged dependency on medical care for which consistent skilled nursing intervention is medically necessary.

- On March 1, 2021, NC Medicaid began the fifth and final year of the 2017-2022 CAP/C waiver approval period. At the end of year four (February 2021), 2,843 participants were receiving CAP/C services, which was 71% of the 4,000 maximum approved participants. There were 3,092 children enrolled in CAP/C in June 2021, which is 77% of the 4,000-maximum number of approved participants. .
- Consumer Direction continues to be a well-received program option for parents participating in the CAP/C. The utilization rate continues to increase each state fiscal year. From state fiscal year 2020 to 2021, enrollment in consumer direction increased by 191 participants, for a total of 1,012 participants using this option.

## State Fiscal Year 2021 Accomplishments – CAP/DA

- **Coordinated Caregiving.** The approved 2019 CAP/DA waiver introduced a new service called Coordinated Caregiving, which offers disabled and elderly adults an alternative living arrangement to remain in their community with the support of a live-in caregiver. In state fiscal year 2021, NC Medicaid began enrolling individuals into this program. Coordinated Caregiving is becoming popular with this target population and assists with closing the gaps in the health care shortage. The service allows a caregiver to live in the home of the CAP/DA participant, or the CAP/DA participant to move in the home of a caregiver to help with the acquisition, retention or improvement of skills related to living in the community. This includes supports with adaptive skill development, assistance with activities of daily living and instructional activities of daily living, social and leisure skill development, and protective oversight and supervision.
- **Safeguards During COVID-19 Extended.** In March 2021, the emergency planning document created to safeguard the needs of CAP/C and CAP/DA beneficiaries against COVID-19 was extended through the duration of the COVID-19 public health emergency.

## CAP/C Benefits the Entire Family

*Ed. Note: Names have been changed to protect the privacy of individuals and their families.*

“Joshua” was born with spina bifida and autism. For his first almost 13 years of life, he and his twin sister, “Annie,” who was born without these challenges, were cared for solely by their parents and grandparents. Joshua’s mother was unable to work, as he needed constant care. They were rarely able to go out together as a family due to his needs, so they always had to divide and conquer to allow one of the parents to be out with Annie for her activities while the other parent could stay home with Joshua. He could go out as he got older but being in places outside his own home or the homes of his grandparents was very difficult on him.

**“I’m just not sure how our family would have managed without CAP/C.”**

The parents’ goal was for Annie to have everything she needed or wanted to do, and for Joshua to have the same within his capabilities—though those results look different for each child. The parents said they did not want Annie to “sit out of things because Joshua couldn’t participate.” And they

wanted Joshua to feel he was participating in activities at the level he could. So, the parents did what was necessary to ensure each of the twins got all the attention and opportunities their parents could provide.

As he got older, Joshua’s autism progressed, and crowds and noisy places made him very agitated and even combative, making it very difficult to take him to the store, church or anywhere—or to put him in his wheelchair or do anything he did not want to do. For many years, the family had only a car, so the wheelchair had to be dismantled and reassembled at every stop, which his parents said was challenging because it was required “regardless of rain, shine, sleet, snow or hail.”

The financial and emotional challenges were taking a greater toll on the family, when a friend who worked for a CAP/C management company told them about the program and qualifications. They began with CAP/C about six years ago, when Joshua was 13 years old, and the difference for their family was like night and day. The in-home care and available resources and supplies were such a huge help to their family. The parents could have some one-on-one time outside the home and they could both go to some of Annie’s activities. Joshua’s mother said, “the first time I came home and there was a case of diapers sitting on my porch, I literally cried...can you imagine? I’m just not sure how our family would have managed without CAP/C.”

Through friends and family fundraisers, they bought a van in 2016 and the CAP/C program facilitated making it wheelchair accessible with a ramp and other accommodations.

One of the unexpected benefits of having a child with Joshua’s challenges has been the way it has affected his sister, Annie. She “came to this earth with an incredible amount of independence” and family life helped her develop “patience and kindness toward others that most 19 year-olds do not have,” said her mother. “She will fight for the underdog any day of the week and has done so on many occasions” because of her experiences growing up and loving her brother.

## Money Follows the Person

Money Follows the Person is a state project and voluntary program that helps Medicaid-eligible individuals who live in inpatient facilities move into their own homes and communities with supports.

As one of 45 states participating in Money Follows the Person (MFP), North Carolina MFP supports beneficiaries by identifying and addressing barriers to receiving quality, community-based, long-term care and supports. On acceptance of an MFP application, beneficiaries have priority access to a community-based service package or may enroll in the Program for All-inclusive Care for the Elderly (PACE). MFP also helps fund initial start-up expenses for individuals to move into the community, including accessibility modifications, one-time items and services, security deposits and furniture--all expenses crucial to a successful transition but not covered under the Medicaid service packages.

NC Medicaid was awarded its MFP grant from the Centers for Medicare & Medicaid Services (CMS) in May 2007 and began supporting individuals to transition in 2009. Congress has passed five short-term extensions of MFP since funding initially expired in 2018. In December 2020, the program was extended under the Consolidated Appropriations Act<sup>8</sup> with federal bipartisan support to authorize MFP for continuation funding through 2024. NC Medicaid anticipates to participate in the program as long as Congress provides funding. NC Medicaid will continue the work due to the tremendous savings to the Medicaid program and the high satisfaction rate of beneficiaries who leave institutions to return to a home in their communities.

The bill that reauthorized the MFP Demonstration Project also created additional program flexibilities:

- The mandatory residency requirement in a qualified facility has been reduced from 90 days to 60 days.
- Medicare rehab days in a qualified facility now will count toward the 60-day stay.

The impact of these changes in MFP rules means that individuals can transition back to the community sooner.

The North Carolina MFP Demonstration Project began supporting transitions in 2009. MFP supports older adults (age 65 and older), people with physical disabilities (under age 65), and individuals with intellectual or other developmental disabilities who reside in facilities such as nursing homes, hospitals or psychiatric

### How Medicaid Serves the People and Communities of North Carolina

*Money Follows the Person Demonstration Project:*

Keeps individuals out of institutions and eases transfer to homes and community

Provides choice

Works with other community services

<sup>8</sup> Consolidated Appropriations Act, 2021. "Sect. 204. Extension of Money Follows the Person Rebalancing Demonstration," pp. 2244-2254. [rules.house.gov/sites/democrats.rules.house.gov/files/BILLS-116HR133SA-RCP-116-68.pdf](https://www.rules.house.gov/sites/democrats.rules.house.gov/files/BILLS-116HR133SA-RCP-116-68.pdf).

residential treatment facilities (PRTFs). Since 2009, MFP has supported over 1,400 beneficiaries with transitions. **MFP claims data show a 42% reduction in expenditures for each older adult and person with disabilities who transitioned compared to the cost of living in a facility.**

## State Fiscal Year 2021 Accomplishments

During state fiscal year 2021, MFP continued to support transitions into individual's homes and communities. Accomplishments include:

- Transitioned 148 beneficiaries out of facilities and into their own homes and communities.
- Supported 53 beneficiaries to participate in the "Targeted/Key Units" subsidized housing programs.
- Saved an average of 42% in reduced post-transition Medicaid spending compared to pre-transition costs for MFP beneficiaries who are seniors or have physical disabilities.
- Hosted leadership development training through the Transitions Institute for 73 individuals from 35 organizations statewide, focusing on quality transition coordination.
- Conducted a monthly online professional development and learning series on topics related to transitions, housing, benefits and increasing social connections that drew more than 2,392 participants.
- Held stakeholder engagement events across the state with 484 individuals attending MFP Roundtables.
- Invested \$3.1 million in eight grant initiatives through the MFP Rebalancing Fund to address specific barriers to transitions, such as housing, tenancy supports and workforce development.
- Hired three community inclusion specialists as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act grant. These workers provided education to all 420 skilled nursing facilities to support individuals who are at the highest risk of contracting COVID-19. The inclusion specialists also provided technical assistance to staff in support of transitions from facilities back to the community.

## MFP Helps a 21-year Journey Become Reality

*Ed. Note: Names have been changed to protect the privacy of individuals and their families.*

“Glenn” has a dual diagnosis of autism and mental health disorder. In 2000, at age 21, he was admitted to a North Carolina developmental center to receive the care he needed. When a new care coordinator began working with Glenn in 2013, he immediately shared his desire to move out of the center, live in the community and get a job.

After considering his particular needs and abilities, the care coordinator began to discuss Glenn’s goal with his family. This change was something that took some adjustment by his parents; he had been doing very well at the center, and they needed to be comfortable that he could truly be functional, safe and as independent as he wanted to be outside of a facility. As they slowly became more open to the idea, Glenn’s parents began exploring options that included group homes and other congregate living settings. Over the next few years, they became close multiple times to finalizing a move into a different setting. But in the end, things would not work out. The wait continued as they sought the right location and circumstances for Glenn.

**The MFP project helped Glenn realize his goal to move to the community after 21 years in a state institution.**

Beginning in March 2020, COVID-19 slowed down the search. But thanks to the diligent efforts of his care coordinator in seeking new environments where Glenn could be successful, his parents finally found the right fit that included all the supports he needed. He transitioned out of the state facility where he had been for 21 years into a supported

living environment in June 2021. The Money Follows the Person (MFP) project was able to assist Glenn in the transition and helped to facilitate services and supports to ensure a successful process. There have been some challenges to overcome after having lived in a state facility for so long, but these were expected and, according to his transition coordinator, “he is doing great.”

Glenn recently completed his associates degree in office management through the local community college and is currently taking computer courses to obtain a certificate in cyber security. His transition coordinator says that Glenn is “very proud of the fact that he is making As in all of his classes.” He wants to finish the certificate, get a job in the computer industry and maybe even find a girlfriend as he moves forward with his life. His support network includes some of his long-term behavioral health providers who have worked with him since he was in the state facility, and are they providing him with ongoing counseling and education to prepare him and his parents for the next steps of his life.

## Pharmacy

NC Medicaid strives to enhance the lives of North Carolina’s citizens through a comprehensive pharmacy benefit. The pharmacy team spent state fiscal year 2021 preparing for the historic launch of managed care, including the design and development of a carved-in pharmacy benefit.

### Pharmacy Outlook

In 2020, prescription drug spending growth was projected to increase to 3.7%, which is consistent with metrics seen by NC Medicaid in state fiscal year 2021 (see Exhibit 3 on page 16). This was reportedly due to an expected increase in the growth rate for drug prices to 1.1% in calendar year 2020, compared to a decline of 0.3% in calendar year 2019. This reversal reflected anticipated slower growth in drug rebates, as well as an expected return to positive growth in prices for generic drugs.

During calendar years 2021–2023, prescription drug spending growth is again projected to accelerate by an average of 5.4% per year, because of faster expected growth in drug prices, slowing growth of rebates, and anticipated increases in spending associated with new prescription drugs.<sup>9</sup>

### State Fiscal Year 2021 Performance

In state fiscal year 2021, NC Medicaid’s prescription benefit supplied beneficiaries with over 14.6 million prescriptions at a cost of \$743 million to North Carolina taxpayers. On average, Medicaid beneficiaries received six prescriptions each at approximately \$25 per prescription cost to the state, after rebates were applied. Top 10 drugs by expenditures include medications used to treat atopic dermatitis, mental illness, seizure disorder, plaque psoriasis, opiate dependence, hepatitis C and movement disorders (see Exhibit 4 on page 16). The top 10 drugs by claim count include claims for antihistamines, nasal steroids, neuropathic pain agents, proton pump inhibitors, antidepressants, antihypertensives, statins and nonsteroidal anti-inflammatory medications (see Exhibit 4 on page 16).

North Carolina has seen a trend of increasing drug expenditures over the past two years, with gross cost per prescription and net cost per prescription increasing by 3.4% and 3.9% respectively, as projected by

## How Medicaid Serves the People and Communities of North Carolina

### *The Pharmacy Program:*

Prescription drugs play a significant role in maintaining health and treating illnesses, allowing the opportunity to live healthier, with improved quality of life.

Through current pharmacy program management strategies, Standard Plans and Tailored Plans will implement a pharmacy benefit that ensures beneficiaries and providers have access to evidence-based, cost-effective medications to provide the best overall value to beneficiaries, providers and the State of North Carolina.

<sup>9</sup> Keehan, SP, et al., “National Health Expenditure Projections, 2019–28: Expected Rebound in Prices Drives Rising Spending Growth”; Health Affairs 39(4); March 24, 2020

CMS (see Exhibit 3 on page 16). Rebate dollars per prescription received by NC Medicaid increased by 3.4% for federal and 3.6% for supplemental rebates over the two-year period. This reflects NC Medicaid's thorough process to manage costs while ensuring provider access to medications to treat our beneficiaries. The average total rebate discount received by NC Medicaid for state fiscal year 2021 was 67.4% of pharmacy expenditures. This exceeds the all-state Medicaid average rebate discount of 61.2%,<sup>16</sup> based on the same period, demonstrating NC Medicaid's efficiency at maximizing available rebates (see Exhibit 3 on page 16).

Due to Medicaid's role in providing coverage for some of North Carolina's most vulnerable and medically fragile citizens, NC continues to pay a disproportionate share of some of the highest cost specialty medications.<sup>10</sup> Managing the utilization and costs for these specialty medications continues to be one of the most important priorities in the program.

## NC Medicaid Direct, NC Medicaid Managed Care and NC Health Choice Single NC Preferred Drug List

North Carolina has partnered with health care providers and other pharmacy benefit stakeholders to drive savings and value for the NC Medicaid program through utilization of a single NC Preferred Drug List (NC PDL). NC Medicaid Direct, NC Medicaid Managed Care Plans and NC Health Choice all utilize a single NC PDL to define the drug formulary. Use of a single NC PDL allows North Carolina to receive supplemental drug rebates from manufacturers while eliminating the complexity of multiple formularies for providers. Compliance with the NC PDL continues to be 95%,<sup>11</sup> which demonstrates that medications on the NC PDL are appropriate for the provider population and beneficiaries served in the state. The NC PDL continues to be a valuable tool in saving North Carolina taxpayers significant dollars through effective and efficient management of prescription drug costs.

## Opioid Epidemic: The Fight Continues

Since 2018, when safe prescribing practices policies for opioids were established to support the North Carolina Opioid Strategic Plan and the battle against the opioid crisis, NC Medicaid has demonstrated a 31% decrease in claims for opioids at doses greater than 90 morphine milligram equivalents (MME) per day and a 20% decrease in prescribers who prescribe, and a 17% decrease in pharmacists who dispense greater than 90 MME per day<sup>12</sup> (see Exhibits 5 and 6 on page 17). The work to combat the opioid crisis continued in state fiscal year 2021, including the following enhancements:

- Policies that comply with the NC STOP Act
- Supplies for greater than seven days of opioids requiring prior authorization (PA), regardless of placement on the NC PDL
- Abuse deterrent formulations preferred on the NC PDL
- 90 MME cumulative limit without high dose PA
- Early refill alert set at 85%
- Therapeutic duplication alert, opioid plus benzodiazepine system edit, monitoring of high dose prescribing

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<sup>10</sup> Kaiser Family Foundation: How State Medicaid Programs are Managing Prescription Drug Costs; April 2020

<sup>11</sup> Myers and Stauffer, clinical actuarial vendor for NC Medicaid

<sup>12</sup> Magellan, rebate, DUR, and clinical support vendor of NC Medicaid

- Lock-in program for coordination of care
- Encouragement to use Naloxone standing order

EXHIBIT 3

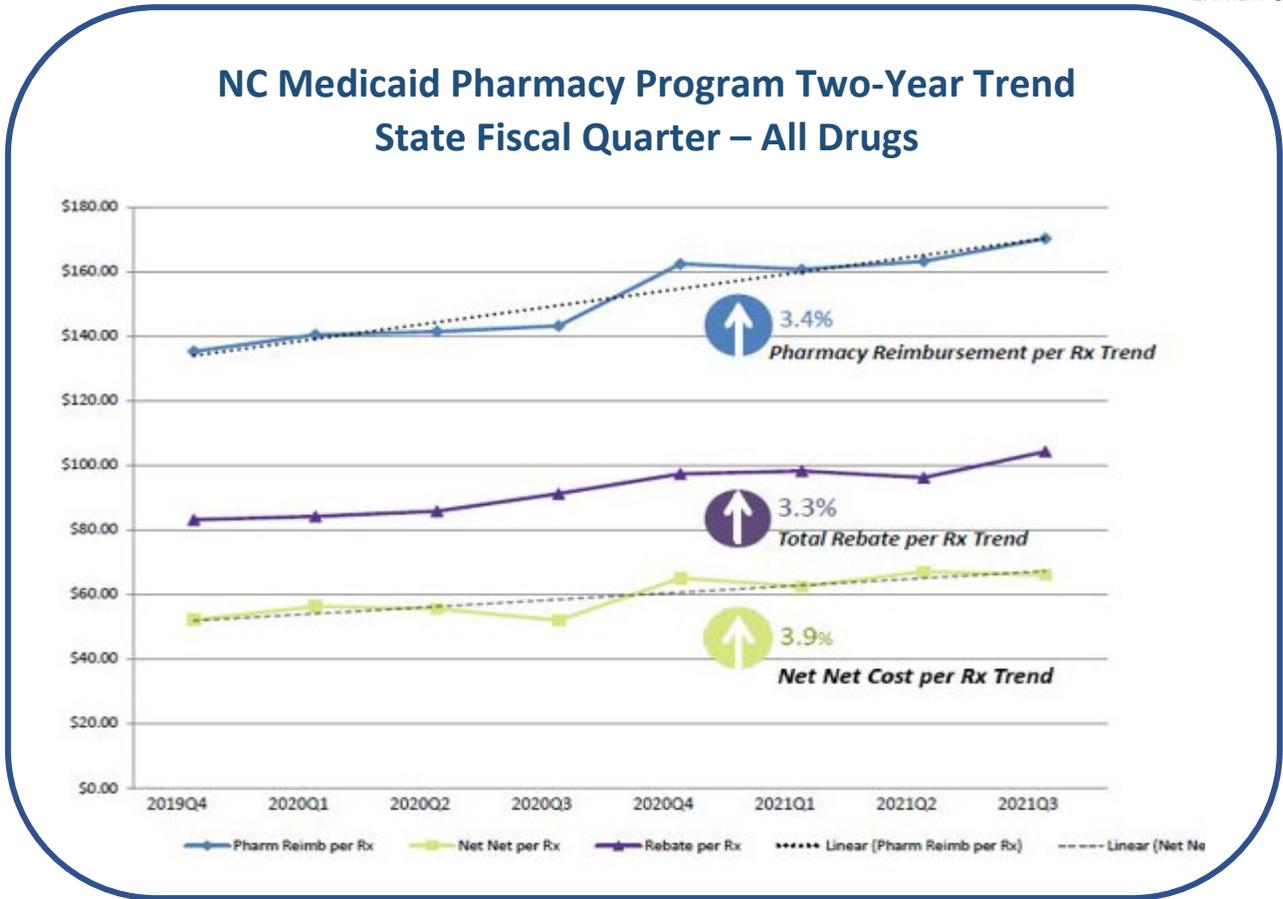


EXHIBIT 4

#### Top 10 Drugs by Claim Count

1. Cetirizine tab
2. Gabapentin cap
3. Fluticasone nasal
4. Omeprazole
5. Sertraline tab
6. Cetirizine solution
7. Trazodone
8. Clonidine
9. Atorvastatin
10. Ibuprofen tab

#### Top 10 Drugs by Net Spend

1. Dupixent
2. Vraylar
3. Invega Sustenna
4. Stelara
5. Epidiolex
6. Suboxone Film
7. Abilify Maintena
8. Mavyret
9. Ingrezza
10. Rexulti

EXHIBIT 5

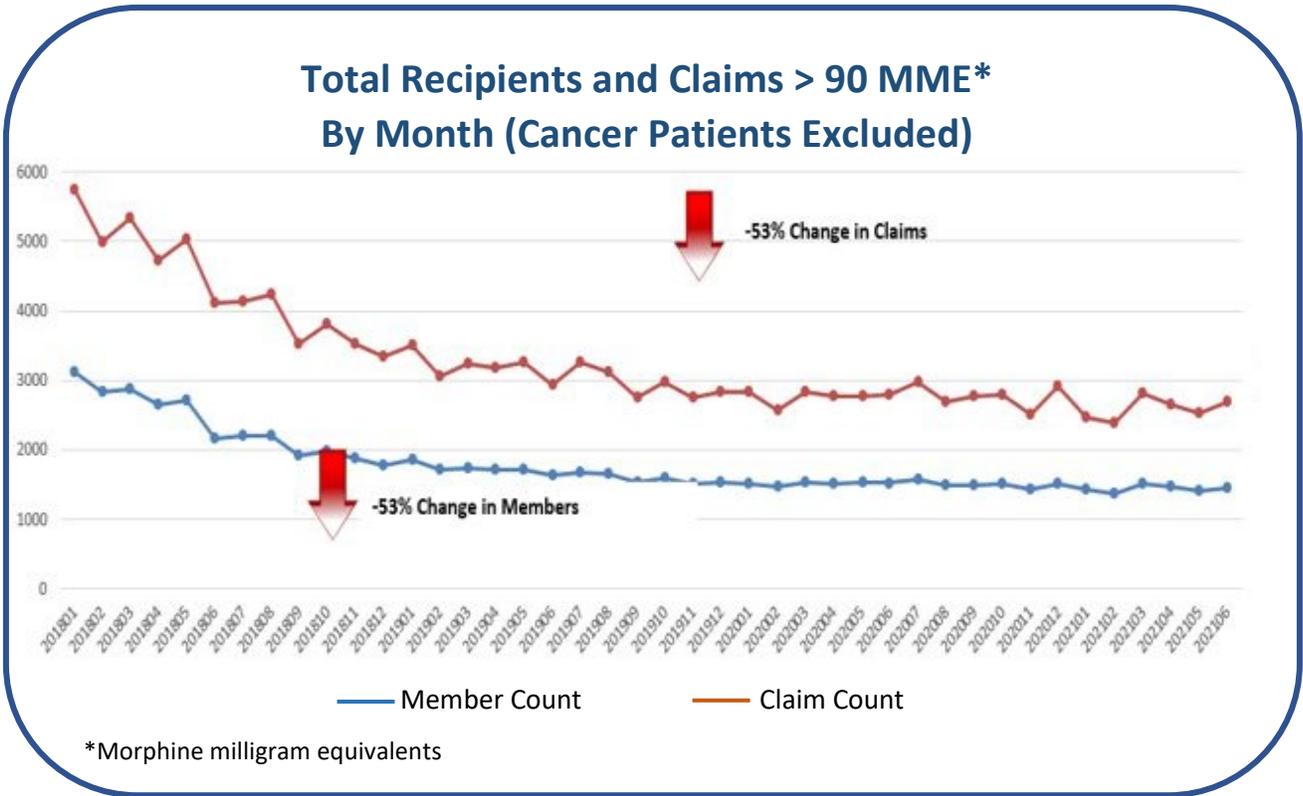
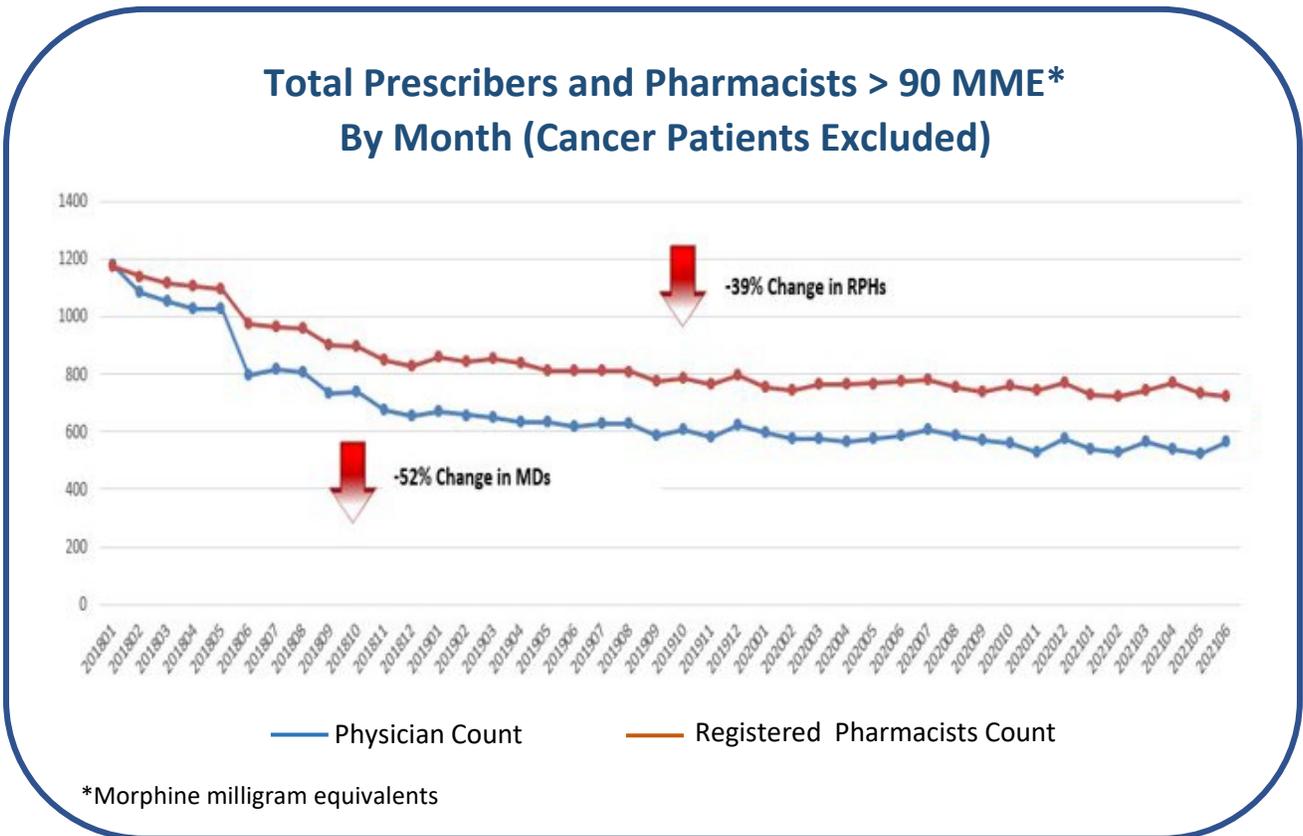


EXHIBIT 6



## Cost of Dispensing Survey

A Cost of Dispensing survey was completed by NC Medicaid in fall 2020, demonstrating similar findings to the survey completed in 2015, resulting in no changes necessary to the current dispensing fees for pharmacy providers.

## 12-Month Supply of Oral Contraceptives

NC Medicaid implemented a new policy to allow for a 12-month supply of oral contraceptive pills to be dispensed. This aligned with the American College of Gynecology's guidelines to enhance compliance, thereby reducing unplanned pregnancies in North Carolina.

## Response to COVID-19

NC Medicaid's Pharmacy program continued to be challenged by the COVID-19 pandemic in state fiscal year 2021. The program was thoroughly evaluated in response to the COVID-19 pandemic to ensure beneficiaries and providers were provided with the utmost in program support. Many temporary flexibilities were put in place in response to the pandemic to be effective only during the declared state of emergency; however, some were approved as permanent additions to the program. Permanent policy changes include allowing for:

- Up to 90-day supplies and refills of maintenance medications, not including controlled substances
- Mailing reimbursement fee of \$1.50 to retail pharmacy claims
- Delivery reimbursement fee of \$3.00 to retail pharmacy claims

NC Medicaid also set up billing procedures for providers to receive reimbursement for the administration of three federally supplied COVID-19 vaccines, as well as other therapies used to treat COVID-19.

The COVID-19 pandemic continued in state fiscal year 2021 to highlight the racial and ethnic disparities in health and health care across the country. The Pharmacy Clinical Policy section continues to examine the NC PDL, therapeutic drug category clinical criteria and prior authorization requirements in the program, focusing on health disparities as means to ensure a clinically sound pharmacy benefit.

## Behavioral Health and Intellectual/Developmental Disabilities

Behavioral Health and Intellectual / Developmental Disability (IDD) services provide outpatient and inpatient, short- and long-term care and supports in a variety of settings.

NC Medicaid provides Behavioral Health (mental health and substance use disorder) and Intellectual/Developmental Disabilities services and support to adults and children receiving Medicaid and NC Health Choice. Services are provided in the following settings:

- **Community.** Outpatient counseling, Mobile Crisis, Community Support Team, Research-based Treatment for Autism Spectrum Disorders and Peer Support
- **Facilities.** Facility-based Crisis, Substance Abuse Intensive Outpatient and Psychosocial Rehabilitation
- **Inpatient and institutional settings.** Hospitals, psychiatric residential treatment facilities (PRTFs) and intermediate care facilities for individuals with intellectual disabilities (ICFs/IID).

### Waivers

NC Medicaid manages three waivers under the behavioral health program. Two of these are 1915(c) waivers that provide services in the community as an alternative to institutional care. These include the Innovations Waiver for children and adults with intellectual and developmental disabilities (I/DD) and the TBI Waiver for adults with traumatic brain injury. These (c) waivers operate under a 1915(b) waiver that allows for managed care of State Plan Behavioral Health Services, Licensed Management Entities/Managed Care Organizations (LME/MCOs), to manage, coordinate, facilitate and monitor the provision of behavioral health, I/DD and substance use disorder services in the geographic area they serve.

### How Medicaid Serves the People and Communities of North Carolina

#### *Behavioral Health Services:*

Provide care and supports in a beneficiary's home or community rather than an institutional setting

Address behavioral health needs, including cognitive rehabilitation, life skills training, community networking, personal care and substance use assistance

“Investing in the behavioral health and resilience of North Carolinians is smart for people and their whole-person health.

“Providing necessary supports for those with disabilities to live, work and thrive in community is a fundamental goal for our work.”

— Secretary Kody H. Kinsley

## State Fiscal Year 2021 Accomplishments

**Value and Alternative-based Payment Pilot for Individual Placement and Support.** NC Medicaid implemented a value-based and alternative payment model in one LME/MCO for individual placement and support (IPS) services for adults with serious mental illness. IPS helps individuals find and maintain employment. This shift means that the IPS provider gets paid when the individual meets the following milestones:

- Receives outreach and engagement services
- Completes a career profile
- Has or has not been linked to Division of Vocational Rehabilitation (DVR) for sequential funding
- Completes job development and places in a job

Other considerations include:

- How long an individual remains employed
- If the team supports the individual in educational goals
- If the team supports the individual in vocationally advancing

This model supports providers in shifting from either Medicaid or State DVR funds. IPS linkage to DVR has historically been complex due to different requirements and funding streams. The Value and Alternative-based Payment Pilot facilitates this process.

Under the Pilot, providers have less administrative burden and, therefore, have more time to work directly with individuals or reach out to local employers to complete job development tasks. The LME/MCO can track an individual's place in their employment journey using claims for milestone payments.

## Response to COVID-19

Due to the COVID-19 pandemic, NC Medicaid continued to adjust to provide the best possible services to our beneficiaries.

- NC Medicaid moved as many of its services as possible to telemedicine. As this modality was successful, the Outpatient Therapy policy was permanently updated to allow for therapy to continue using telemedicine for both licensed and associate level clinicians.
- NC Medicaid increased access to care during COVID-19 by increasing the maximum number of days per year (from 30 to 45 days) that could be provided under Facility-Based Crisis (FBC), Substance Abuse (SA) Non-Medical Community Residential Treatment, SA Medically Monitored Residential Treatment and Non-hospital Medical Detoxification. Medicaid received approval from the Centers for Medicare & Medicaid Services (CMS) to make this increase permanent for FBC and have requested to make the increase permanent for the other services.
- NC Medicaid increased the number of Therapeutic Leave days that could be taken by individuals residing in ICFs-IID from 60 to 120 days per year during COVID-19. A legislative change was requested to increase this limit permanently from 60 to 90 days per year. This change was granted and Medicaid is pursuing CMS approval.
- CMS approved numerous Appendix K flexibilities for beneficiaries on the Innovations and TBI Waivers during the COVID-19 public health emergency, including allowing:
  - Relatives who live in the same home as the beneficiary to provide additional services under Innovations.

- Day supports to occur in different settings.
- Services to be provided without prior authorizations.
- Retainer payments to be paid to staff unable to provide services to individuals due to COVID-19 risks.
- Respite to be provided during virtual school day as needed.



## Partnerships with Community Groups through Waiver Programs

A variety of person-centered activities and services that enable beneficiaries to live more independently is provided through partnerships with community organizations.

- **Money Follows the Person.** Money Follows the Person (MFP) is a national demonstration project sponsored by Medicaid to support individuals in moving out of institutional settings like nursing homes and into a home in the community.

While MFP is a catalyst to support individuals to move to the community, those with intellectual and other developmental disabilities use the long-term services and supports (LTSS) waiver called Innovations to provide ongoing assistance to live independently.

See [page 11](#) for more on MFP.

- **Innovations Waiver.** The Innovations waiver provides an array of person-centered services that help with daily living activities like bathing, getting dressed and meal preparation. But the waiver is so much more than assistance with daily activities. Innovations can also provide a combination of physical assistance, organization and decision-making supports, and community-based supports to volunteer at a local non-profit or supports for paid employment.
- **Supported Living Service.** Through North Carolina's Innovations supported living service, individuals can choose to live in an apartment or home by themselves or with a roommate (or two) of their choosing. This customized service addresses the need to create a living space where people who share similar lifestyles can become roommates and friends. Funding available in the Innovations waiver can also provide assistive technology and modifications that make the home more accessible and safer while giving the residents unsupervised time in the home for those desiring greater independence.

### How Medicaid Serves the People and Communities of North Carolina

#### *Waiver Programs:*

MFP supports moving individuals from institutions into homes in the community

Innovations provides services that help with daily living activities, as well as volunteer and employment opportunities

Supported living services enable independent living with assistive technology and modifications for greater safety and accessibility

The services in the Innovations waiver can be provided through the traditional provider model, self-direction or a hybrid model. For those who want to maximize control of their choices and services, self-direction can give an individual the greatest control over their Innovations waiver services. Those who are somewhere between the provider-led and self-direction models can use a hybrid model with support from a traditional provider as needed.

As North Carolina leads in making its Innovations waiver an array of long-term services that support independence, it is the cornerstone to success for the MFP beneficiaries with intellectual and other developmental disabilities. With member and family feedback on the Innovations waiver, the Medicaid team and the local management entities/managed care organizations (LME/MCOs) continually improve services to deliver a waiver targeted to help with specific needs, individual choice, self-direction and greater independence in whatever community-based living setting the beneficiary chooses.



## NC Medicaid Significantly Enhances Family Planning Clinical Policy to Help Fight HIV

“PrEP is a critical tool in the decades-long fight against HIV and a key strategy in the NC Plan to End HIV. Including coverage of PrEP visits and lab tests in the Family Planning Medicaid program will help reduce barriers and expand access to this highly effective preventive medication and enable more North Carolinians to remain free of HIV.”

Jennifer Mullendore, MD, MSPH  
Medical Director, Buncombe County Health and Human Services

North Carolina has over 1,000 newly reported cases of HIV every year. As of Dec. 31, 2019, more than 34,000 people were living with HIV in the state. Additionally, CDC modeling data estimates that more than 60% of new HIV transmissions in the US are from individuals who are aware of their infection but are not receiving routine HIV (human immunodeficiency virus) care or are in HIV care but not virally suppressed.<sup>13</sup> This estimate is especially troubling in North Carolina where only 66% of those who are aware of their HIV diagnosis are virologically suppressed.<sup>14</sup>

In January 2021, NC Medicaid undertook a significant revision to its Family Planning clinical policy to enhance coverage to include services necessary to provide pre-exposure prophylaxis (PrEP) for the prevention of HIV infection. The southern United States has the highest burden of HIV diagnoses in the country yet has the lowest rates of PrEP utilization. In fact, data suggests that women, young adults and residents of the southeastern U.S. have the lowest levels of PrEP provision compared with the relative need.<sup>15</sup>

The provision of PrEP coupled with ongoing education resulted in a 68% increase in males enrolled in Family Planning services over 18 months.

In a national study of states that provide PrEP to prevent HIV infection, North Carolina ranks in the lower third for consistently providing this medication to young men and women who would benefit from it. By expanding coverage of NC Medicaid’s Family Planning clinical policy to add the components for PrEP, NC Medicaid partnered with the Division of Public Health as well as community advocates and stakeholders to promote this resource and encourage more local health departments and federally qualified health clinics to make PrEP available for their patients.

One of the most challenging issues is getting young men enrolled in family planning services, as men often do not think of themselves as eligible. In fact, preconception health for men is a critical factor in the health of a pregnancy and new baby. Multiple stakeholder meetings and presentations were held early in the year encouraging the provision of PrEP and the enrollment of young men into Medicaid family planning. These efforts contributed to a 68% increase in enrollment by men in 18 months, largely in the 21-64 age range.<sup>16</sup>

<sup>13</sup> Vital Signs: HIV Transmission Along the Continuum of Care — United States, 2016 | MMWR (cdc.gov) and North Carolina 2020 Epi data.

<sup>14</sup> [NCDHHS: 2020 North Carolina HIV Surveillance Report; November 2021](#)

<sup>15</sup> Siegler A.J., Mouhanna F., Giler R.M., Weiss K., Pembleton E., Guest J., Jones J., Castel A, Yeung H., Kramer M., McCallister S., Sullivan, P.S. The prevalence of pre-exposure prophylaxis use and the pre-exposure prophylaxis-to-need ratio in the fourth quarter 2017, United States. *Ann Epidemiol.* 2018 Dec;28(12):841-849. doi: 10.1016/j.annepidem.2018.06.005.Epub 2018 Jun 15. PMID: 29983236; PMCID: PMC6286209.

<sup>16</sup> Based on NC Medicaid eligibility and enrollment data.

## Quality Strategy Focuses on Whole-person Health and Wellness

NC Medicaid's Quality Strategy advances North Carolina's vision of building an innovative, whole-person, well-coordinated system of care that addresses both medical and non-medical drivers of health and promotes health equity.

NC Medicaid is committed to advancing high-value care, improving population health, engaging and supporting beneficiaries and providers, promoting health equity and establishing a sustainable program with predictable costs. The first Annual Quality Report, posted in early 2021, assesses NC Medicaid's performance on quality measures from years 2016-2019 related to the three aims and their associated goals identified in the [NC Medicaid Managed Care Quality Strategy](#):

- Better care delivery
- Healthier people, healthier communities
- Smarter spending

NC Medicaid's Managed Care Quality Strategy was designed using the Annual Quality Report and other historical performance data to evaluate high quality of care as well as areas where a stronger focus is needed to improve outcomes and population health. The Quality Strategy measures align with key Department initiatives including the Opioid Action Plan, the Early Childhood Action Plan, the Perinatal Health Strategic Plan, the Maternal Health Strategic Plan (in development) and Healthy North Carolina 2030, to support a unified approach to continued improvement.

Each year, NC Medicaid will set goals for closing gaps between groups in quality performance and, in some cases, create financial incentives for plans to outperform historical goals. Central to NC Medicaid's effort to improve quality, care delivery and health outcomes is a commitment to address the social and environmental factors that directly impact health outcomes and cost, and promoting Healthy Opportunities for North Carolinians. To effectively address these challenges, NC Medicaid is utilizing data and embedding strategies to promote Healthy Opportunities into its Medicaid program through screening, identification and mapping of unmet health-related resource needs, as well as a statewide coordinated care network (NCCARE360).

### How Medicaid Serves the People and Communities of North Carolina

#### *Quality Strategy:*

Expands focus from just medical, to include whole-person, non-medical drivers of health

Includes better care delivery through focus on access and patient engagement

Promotes healthier people and communities through wide variety of medical and behavioral health services for families

Ensures high value, appropriate care through smarter spending

NC Medicaid will work with Health Plans, local management entities/managed care organizations (LME/MCOs), primary care case management entities (PCCMe) and providers to focus on ensuring significant improvements in quality performance year over year.

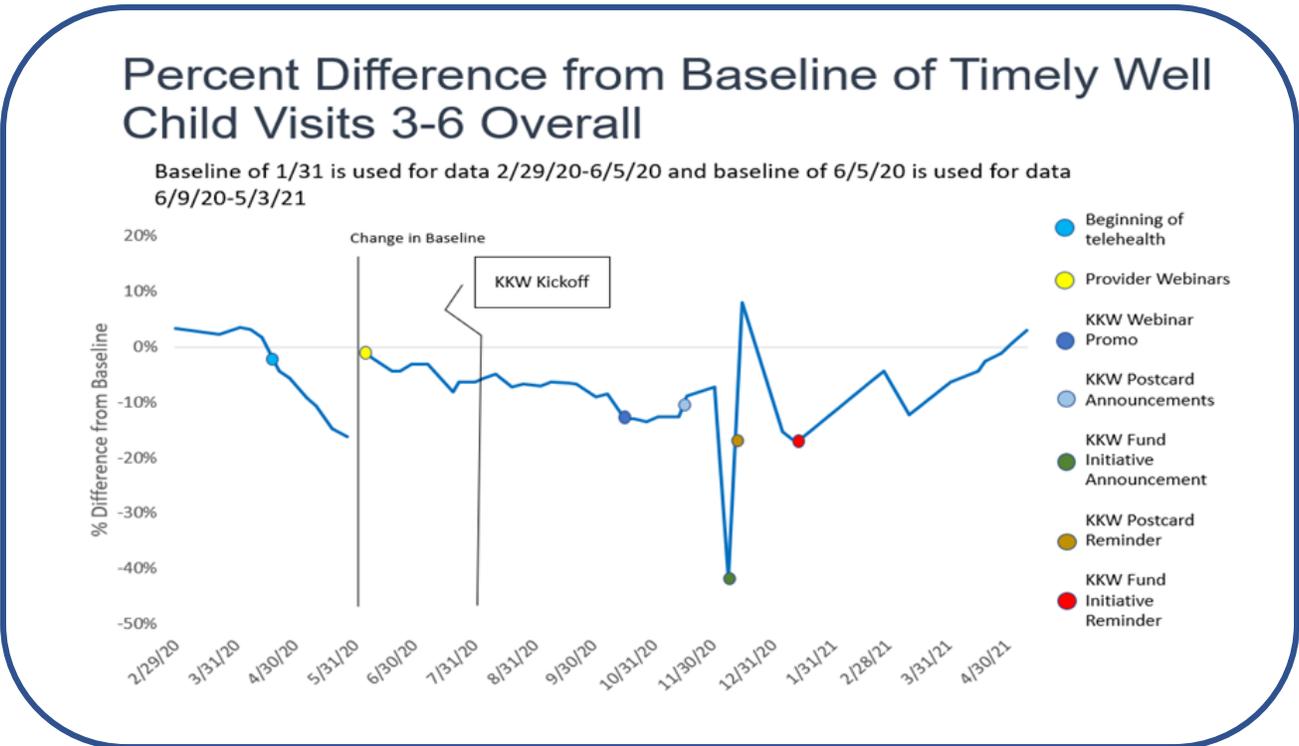
## Keeping Kids Well

NC Medicaid tracks drivers of health using a robust set of measures through various quality improvement initiatives and interventions. One such intervention includes the Keeping Kids Well (KKW) initiative launched in August 2020. This intervention highlighted the Quality Strategy's:

- Aim 2: Healthier People and Communities
  - Goal 3: Promote Wellness and prevention
    - Objective 3.1 Promote Child health, development, and wellness

More than 85% of the NC Medicaid population are women and children.<sup>17</sup> Medicaid continues to focus on these populations in the Quality Strategy Framework's Goal 3: Promote Wellness and prevention. During the COVID-19 Public Health Emergency, NC Medicaid showed a decrease in well-child visits and recommended vaccinations for almost every practice in the state, especially for Black/African American and Latino and Latina populations. Underutilization of well-child visits are missed opportunities to identify physical, developmental and behavioral concerns—many of which can be managed or treated.

EXHIBIT 7



<sup>17</sup> Source: Medicaid enrollment data.

NC Medicaid worked collaboratively with Community Care of North Carolina and North Carolina Area Health Education Centers to engage practices experiencing a greater number of care gaps and improve timely well child visit and immunization measures while raising awareness of the problem among North Carolina's parents. Through KKW, the state well-child visits and immunizations returned to pre-COVID-19 rates by December 2020 and 2021, and preliminary rates show continued stability supported and impacted by KKW efforts. KKW has received national recognition from the National Committee for Quality Assurance's Medicaid Quality Network, Center for Evidence Based Policy – "Increasing Childhood Immunizations in Response to COVID-19 Pandemic Report," Centers for Disease Control Immunization Community of Practice Presentation, and the Infant Well-child Visit Learning Collaborative for Models of Care that Drive Improvement in Infant Well-child Visits.

## Advancing Quality with Advanced Medical Homes

NC Medicaid developed the Advanced Medical Home (AMH) model as the primary vehicle for care management as the state transitions to NC Medicaid Managed Care. High-quality primary care with the capacity to manage population health is foundational to the success of North Carolina's Medicaid Transformation, supporting the delivery of timely care in the appropriate setting to meet each beneficiary's needs. The AMH model supports NC Medicaid's transformation vision by maintaining the strengths of North Carolina's legacy care management and primary care structure and promoting delivery of care management and high-quality care in the community.

Preparations for the July 1, 2021, movement of approximately 1.6 million Medicaid enrollees into Managed Care included NC Medicaid's contract with health plans that established the AMH program as the vehicle for local care management integrated with primary care. AMHs are eligible to earn negotiated performance incentive payments based on the AMH measure set, selected from the managed care quality measure sets for their relevance to primary care and care coordination.

NC Medicaid will increasingly tie payment to value and has developed strategic interventions that promote new care delivery models (such as AMHs), drive payment innovations and address non-medical drivers of health. Overall, the goal is for NC Medicaid to buy health by focusing payment on the key primary drivers of health and rewarding health outcomes at the provider and health plan level. By doing so, NC Medicaid hopes to see lower rates of avoidable spending (inpatient utilization and readmissions), better beneficiary outcomes and smarter spending.

## Telemedicine

Telemedicine provides increased access to health services and use of this delivery method grew to be embraced by more beneficiaries and providers during COVID-19. Telemedicine provides:

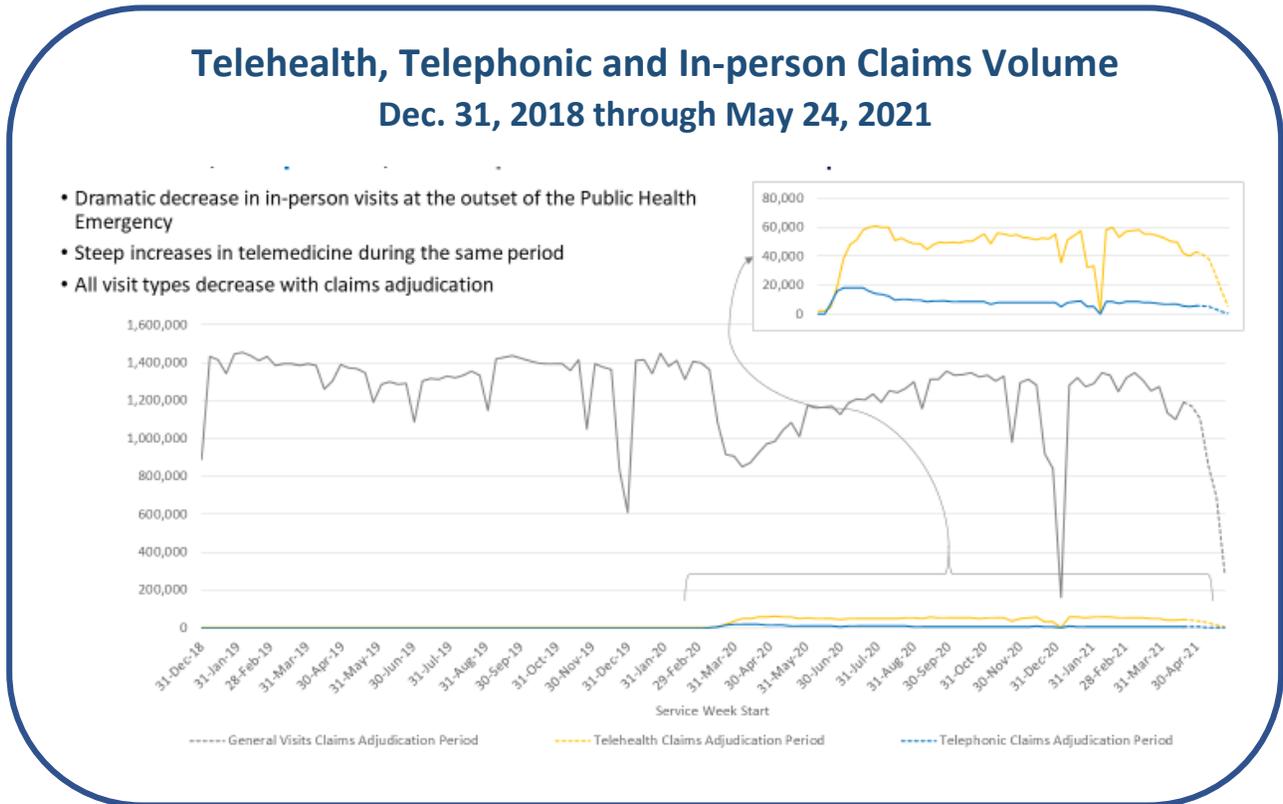
- Ease of access and convenience of remote consultations
- Routine medical visits, including well and sick visits, chronic condition management, some prenatal check-ins and behavioral health
- Medication management and prescription renewal

Analyses to-date of telehealth claims and clinical data (see Exhibit 8 on page 28) have found that:

- Practices that adopted telemedicine at higher rates saw a larger proportion of their enrolled Medicaid patients during the first five months of the public health emergency.

- Counties’ rates of primary care services delivered through telehealth decreased as the percent of counties’ populations living in rural areas increased, and increased as the percent of counties’ populations with broadband access (Federal Communications Commission, 2016) increased.
- Fewer beneficiaries had a second primary care claim within 14 days after a primary care claim when the initial modality was telemedicine.

EXHIBIT 8



To achieve more depth, the state is taking the following approaches to obtain findings on the outcomes of telemedicine:

- Using lab data from the Division of Public Health to understand whether there were fewer laboratory-confirmed COVID-19 cases among patients who saw providers that delivered more care via telemedicine.
- Fielding a Consumer Assessment of Healthcare Providers and Systems (CAHPS) survey with a sampling approach that will allow responses to be stratified by telemedicine utilization and then by the following demographic categories:
  - Child; Adult
  - Race (Black/African American; White/Caucasian; General)
  - Ethnicity (Hispanic/Latino and Latina; Not Hispanic/Latino or Latina; General)
- Working with behavioral health providers to survey patients on their experience of telemedicine.

## Strengthening NC Medicaid's Focus on Health Equity for Historically Marginalized Populations

NC Medicaid's Quality Strategy includes extended outreach to historically marginalized populations with an effort to invest in and direct disproportionate resources to ensure health equity.

"Historically marginalized populations" (HMPs) are individuals, groups and communities that have historically and systematically been denied access to services, resources and power relationships across economic, political and cultural dimensions as a result of systemic, durable and persistent racism, discrimination and other forms of oppression. Members of marginalized populations are often identified based on race, ethnicity, social economic status, geography, religion, language, sexual identity and disability status.

Long-standing and well-documented health inequities have resulted in poor health outcomes, economic disadvantage and increased vulnerability to harm and adverse social, political and economic outcomes.

The NC Medicaid Quality Framework defines and drives the overall vision for advancing the quality of care provided to Medicaid beneficiaries in North Carolina. As there tends to be a higher representation of historically marginalized populations in Medicaid populations than in the general population, a key objective in the Quality Strategy is to reduce disparities and promote health equity.

### Health Equity Payment Initiative

The COVID-19 pandemic exemplified and exacerbated underlying health disparities in the North Carolina population. To advance health equity, NC Medicaid introduced an enhanced payment to Carolina Access primary care practices serving beneficiaries from areas of the state with high poverty rates.

### How Medicaid Serves the People and Communities of North Carolina

*Outreach to Historically Marginalized Populations includes:*

Engaging people by creating open and inclusive processes to identify and meet unique needs

Creating medical home relationships for underserved communities

Engaging state and local leadership to enforce best practices

Tracking progress against goals to improve the health of historically marginalized populations

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“We used the equity payment to help pay for our -60C freezer for Pfizer COVID vaccines. One of our early vaccines was given to a 74-year-old grandmother who is the primary caregiver for her grandchildren. When asked why she had not gotten vaccinated yet, she said, ‘Because no one has talked to me about the vaccine like you did.’”

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The goal of this initiative was to improve access to primary and preventive services for Medicaid and NC Health Choice beneficiaries and reduce health disparities. These payments were available for three months as a limited initiative from April through June 2021. To be eligible for these payments, practices had to be Carolina Access I or II and meet a minimum beneficiary poverty score, determined by the average poverty rate for the census tracts of the beneficiaries assigned to each practice’s location.

Enhanced payment amounts were \$9 per member per month for practice locations with beneficiaries living in areas of the state with moderate poverty levels and \$18 for higher poverty parts of the state. Practices were encouraged to use these funds to enhance primary care medical home services to support beneficiaries to ultimately address health equity. Examples of investments include permanent enhancements to telehealth, patient engagement to close care gaps in key health areas, staff training on implicit bias, recruitment of key staff, COVID-19 vaccine outreach and distribution efforts, and investments in behavioral health supports and integration with physical health.



# Ensuring Beneficiary Access to Primary Care and Maternal Health Care

Ensuring equal access to primary and maternal care services for all Medicaid beneficiaries is a focus of NC Medicaid's Quality Strategy

NC Medicaid's health services are delivered through NC Medicaid Direct with primary care services managed through the Department's Primary Care Case Management (PCCM) program. Community Care of North Carolina (CCNC) provides a statewide infrastructure for the PCCM to NC Medicaid beneficiaries across all 100 counties.

CCNC has networks that provide statewide care management and data support to more than 1,650 primary care medical homes with over 500 individual providers (including local health departments, federally qualified health centers and other safety net providers) that partner with hospitals, community-based organizations, community pharmacies and specialty practices for coordinated care delivery.

CCNC also uses multidisciplinary health care teams to provide community-based case management. CCNC's primary care case management for NC Medicaid beneficiaries focuses on the management of chronic conditions such as diabetes and hypertension, coordination of care for individuals with complex health needs and closing care gaps for preventive services, especially for children.

## Beneficiary Access to Maternal Health Care

NC Medicaid beneficiaries account for 43% of all deliveries in North Carolina. In 2006, only 38% of births in North Carolina were to women with Medicaid coverage in pregnancy. Now, 50% of pregnant women qualify for full Medicaid coverage and 50% are eligible for Medicaid coverage only during pregnancy.<sup>18</sup>

Obstetric services for NC Medicaid beneficiaries are provided through the Pregnancy Medical Home (PMH) program. Operating since 2011, the PHM program aims to improve the quality of care for pregnant

## How Medicaid Serves the People and Communities of North Carolina

*Improving beneficiary access to primary care:*

Statewide care management and data support

Coordinated care delivery by 500+ providers in 1650+ medical homes across the state

Multidisciplinary health care teams to provide community-based care management

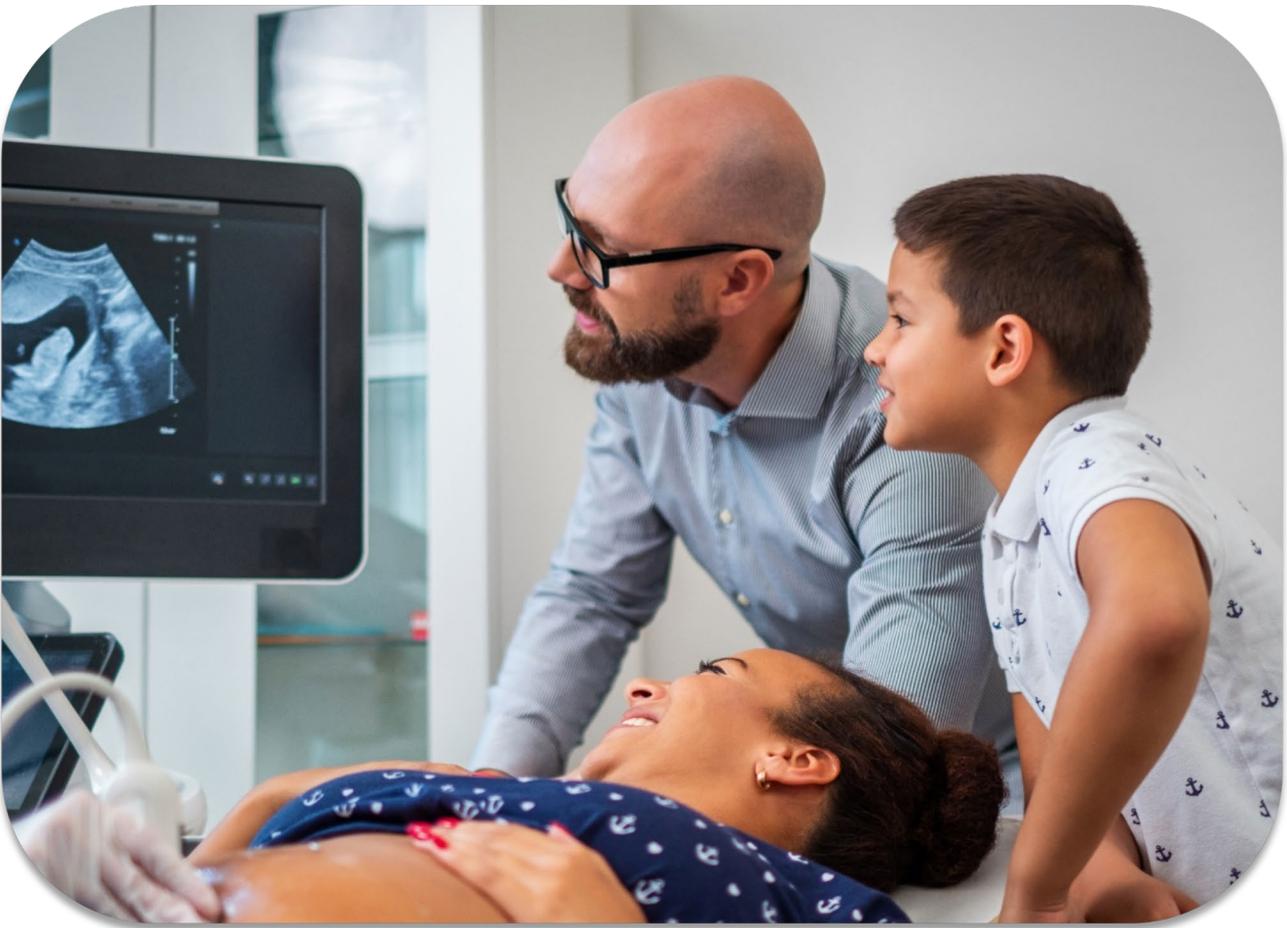
Management of chronic conditions, complex health needs and closing care gaps for preventive services

<sup>18</sup> North Carolina Community Care Networks, Inc. FY2020 Annual Quality Report. Nov. 6, 2020.

Medicaid patients, improve birth outcomes and reduce health care costs, with a specific focus on reducing preterm births.<sup>17</sup>

The PMH program includes more than 380 practices and 2,000 individual providers, operating in 95% of practices in North Carolina that serve pregnant women with Medicaid.

The PMH model is a partnership of obstetric providers who agree to work on quality improvement in maternal care, local health departments that provide pregnancy care management for women with high-risk pregnancies and CCNC, which provides data, analytics and physician leadership to the program. PMH providers are paid an incentive rate for performing a pregnancy risk screen and for completing a postpartum visit with women after delivery.



## Early and Periodic Screening, Diagnostic and Treatment Services (EPSDT)

Federal law guarantees eligible children receive best practice preventive care (early and periodic screening) and any diagnostic and treatment services that Medicaid covers.

High-quality, comprehensive medical care for eligible children is mandated and protected by federal EPSDT guarantees in the Social Security Act. This law recognizes the special challenges to good health, physical growth and emotional/learning development that Medicaid-eligible children face. The Social Security Act directs that these children have a broad menu of treatments and services available to them when they need care.<sup>19</sup>

North Carolina assertively implements these guarantees in its NC Medicaid Direct and NC Medicaid Managed Care programs. Services include periodic preventive care visits including developmental, emotional and behavioral screenings; vaccines recommended by the Centers for Disease Control Advisory Committee on Immunization Practices and parent support, education and counseling; and services to diagnose and treat medical conditions.

No request for care is ever denied until a complete medical review is conducted that applies federal EPSDT standards and criteria.

### State Fiscal Year 2021 Accomplishments

In state fiscal year 2021, care providers continued to rise to the challenges presented by COVID-19 to protect the health and well-being of young beneficiaries. Using solutions such as “care-in-the-car,” virtual visits when appropriate and one-on-one patient support, the program saw impressive results<sup>20</sup>:

- More than 96% of children under age 1 and 83% of children ages 1 to 2 received all recommended preventive check-ups, including infant/toddler vaccines.
- More than 53% of eligible children received periodic screenings on the schedule recommended by the American Academy of Pediatrics.

### How Medicaid Serves the People and Communities of North Carolina

#### EPSDT Services:

Ensure children see a provider regularly for wellness visits

Provide eligible children under age 21 access to any service, product or treatment covered by Medicaid

Require a medical review of a child’s individual condition before any denials or reduction of services

<sup>19</sup> More information about EPSDT is available at [Early and Periodic Screening, Diagnostic and Treatment on NC Medicaid website](#) and in the CMS publication [EPSDT, a Guide for States](#).

<sup>20</sup> Results shown in North Carolina’s [CMS 416 reports](#).

- Despite COVID-19 restrictions, annual screening visits were provided to 44% of children ages 6 through 9 and 45% of children ages 10 through 14.
- More than 588,000 children received oral health services, including screenings from their primary care providers.
- More than 57,000 children received decay-inhibiting sealers on their permanent molars.



## Healthy Opportunities

All North Carolinians should have the opportunity for health. Access to high-quality medical care is critical, but research shows up to 80% of a person's health is determined by social and environmental factors and the behaviors that emerge as a result.<sup>21</sup>

NC Medicaid is working to address health through its transformation to NC Medicaid Managed Care and the Healthy Opportunities Pilot. The groundbreaking pilot program will test and evaluate the impact of providing select non-medical, evidence-based interventions that address unmet needs in housing, food, transportation, interpersonal safety and toxic stress for high-risk NC Medicaid Managed Care members.

### Healthy Opportunities Pilots

In May 2021, NC Medicaid awarded three Healthy Opportunities Network Leads (formerly known as Lead Pilot Entities) in three areas of North Carolina (see Exhibit 9 on page 36). Each Network Lead will build and manage a network of Human Service Organizations (HSOs), such as community-based organizations and social service agencies, such as food pantries or homeless shelters. Network Leads will connect HSOs to the NC Medicaid Managed Care health plans using standardized model contracts. Network Leads will receive capacity building funds from the Department and distribute at least half of the funds to their contracted HSOs to build the infrastructure to support the pilots. Network Leads and HSOs will build their staffing and infrastructure to prepare for Pilot launch in early 2022.

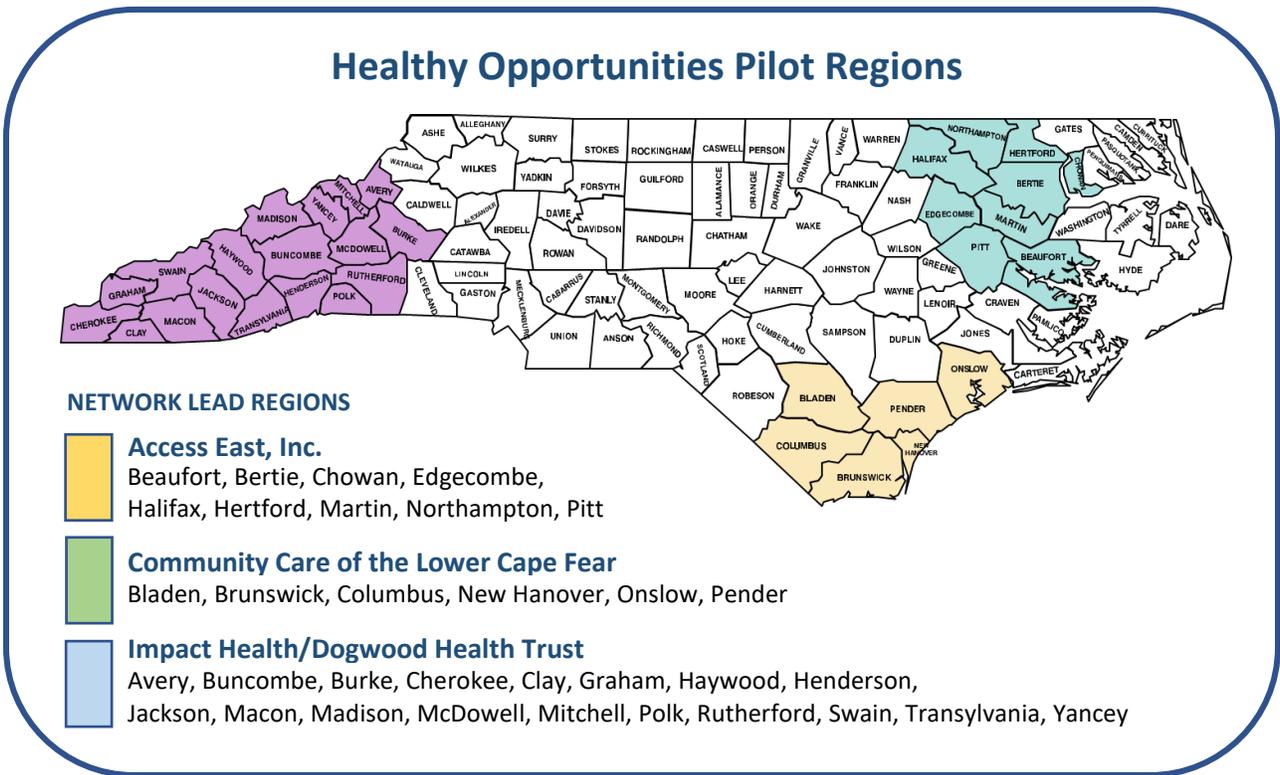
## How Medicaid Serves the People and Communities of North Carolina

### *Healthy Opportunities:*

Helps people fulfill basic needs such as housing stability, food security, transportation access and interpersonal safety through connections to community resources and other programs

NCCARE360 allows public and private health and human services providers to communicate in real-time to share data that will help people get needed services

<sup>21</sup> University of Wisconsin Population Health Institute. *Different Perspectives for Assigning Weights to Determinants of Health*. Boosek, B.C., Athens, J.K., Kindig, D.A., Park, H., Remington, P.L. Feb. 2010. [countyhealthrankings.org/sites/default/files/differentPerspectivesForAssigningWeightsToDeterminantsOfHealth.pdf](https://countyhealthrankings.org/sites/default/files/differentPerspectivesForAssigningWeightsToDeterminantsOfHealth.pdf)



## Healthy Opportunities Screening and Referral (HOSAR) Payment Program

Starting Jan. 1, 2021, Medicaid and NC Health Choice temporarily covered Healthy Opportunities screenings to encourage providers to gain capacity for screening Medicaid beneficiaries for unmet health-related resource needs and refer them to appropriate community-based resources before the launch of NC Medicaid Managed Care on July 1, 2021. The Healthy Opportunities Screening and Referral (HOSAR) Payment Program was available between Jan. 1 and June 30, 2021.

At the end of the HOSAR program, 6,553 claims had been submitted and 4,429 were paid. There were 1,435 claims from rural counties, representing 21.9% of all submitted claims, with 67.8% of those claims approved. There were 5,121 claims from urban counties, representing 78.1% of all submitted claims, with 67.5% of those claims approved. Of the managed care population, 24.3% live in rural counties, while 75.7% live in urban counties.

Screening categories included food, housing and utilities, transportation and interpersonal safety. The approval rate was proportional between categories. Food-related claims were 53% of claims volume, 26% related to housing and utilities, 13% to transportation and 8% to interpersonal services.

## NCCARE360

NCCARE360 is an innovative technology platform in all 100 of North Carolina’s counties that allows health care providers and human services organizations to connect individuals and families to community resources, communicate in real time, securely share client information, and track outcomes.

NCCARE360 is the result of a public-private partnership between the Department and the Foundation for Health Leadership & Innovation, in collaboration with implementation partners that include the United Way of North Carolina/NC 211, Expound Decision Systems and Unite Us.

## Quarantine and Isolation Supports Services Program

In response to the COVID-19 pandemic, the Department and NC Medicaid leveraged the Coronavirus Relief Fund to launch the Quarantine and Isolation Support Services Program in four areas of the state. The program was administered by organizations selected through a competitive procurement process to manage the provision of support services including nutrition services, financial relief payments, private transportation, medication delivery and COVID-related over-the-counter supplies (such as cleaning supplies, masks and thermometers) for individuals and families who needed, but did not have access to, these services to safely and effectively isolate or quarantine. The organizations administering the program were community-based organizations and community health organizations selected based on their relationships with local communities and their ability to provide support services to historically marginalized populations, manage invoicing and reimbursement, meet reporting requirements, and provide services in counties with the highest COVID-19 case rates.

Early findings show that the presence of the Support Services Program and community health workers was associated with a 1.2-1.5 percentage point lower positivity rate at the county level. This represents a 12-15% decrease in positivity rates relative counties without either program. Over 70% of support services were delivered to historically marginalized populations. Of 236 surveyed support service recipients, 88% reported that they were able to fully quarantine and isolate because of the services provided through the program.

EXHIBIT 10

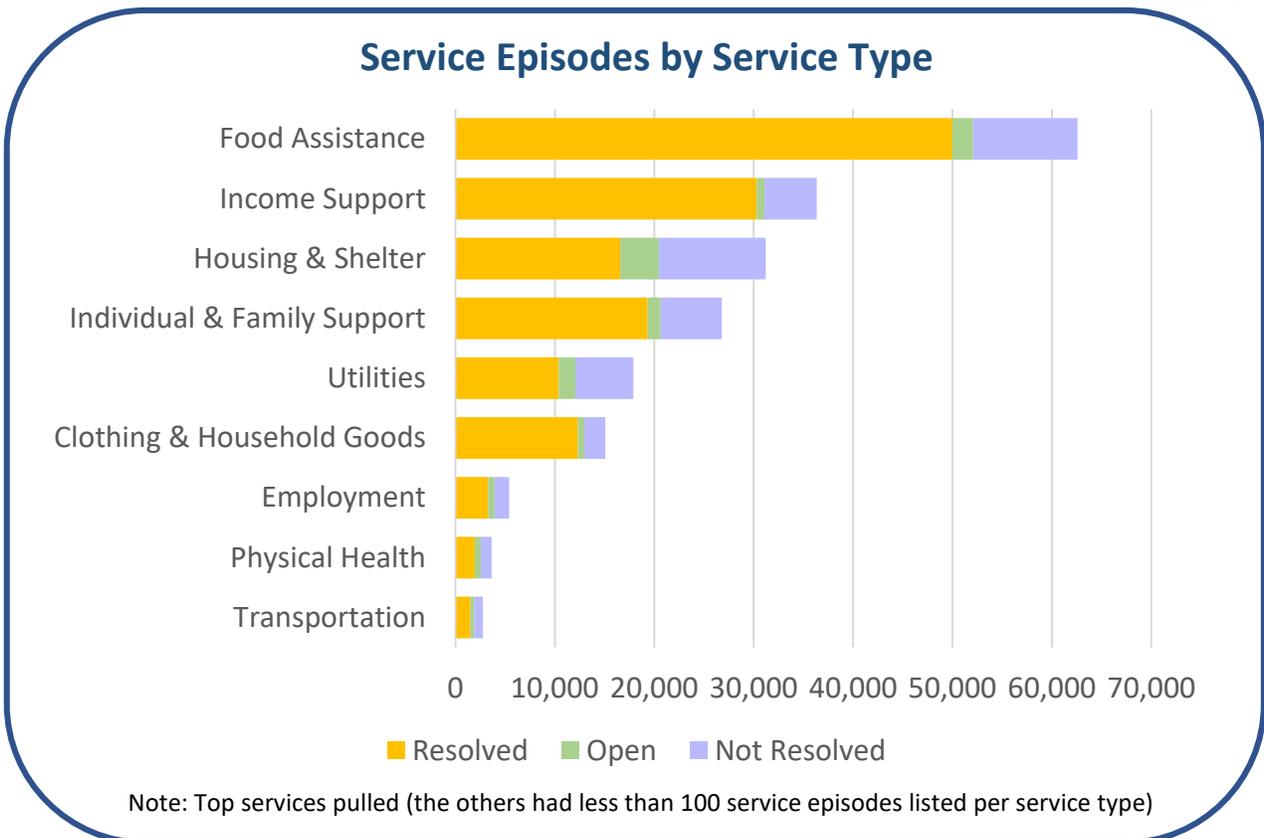


EXHIBIT 11

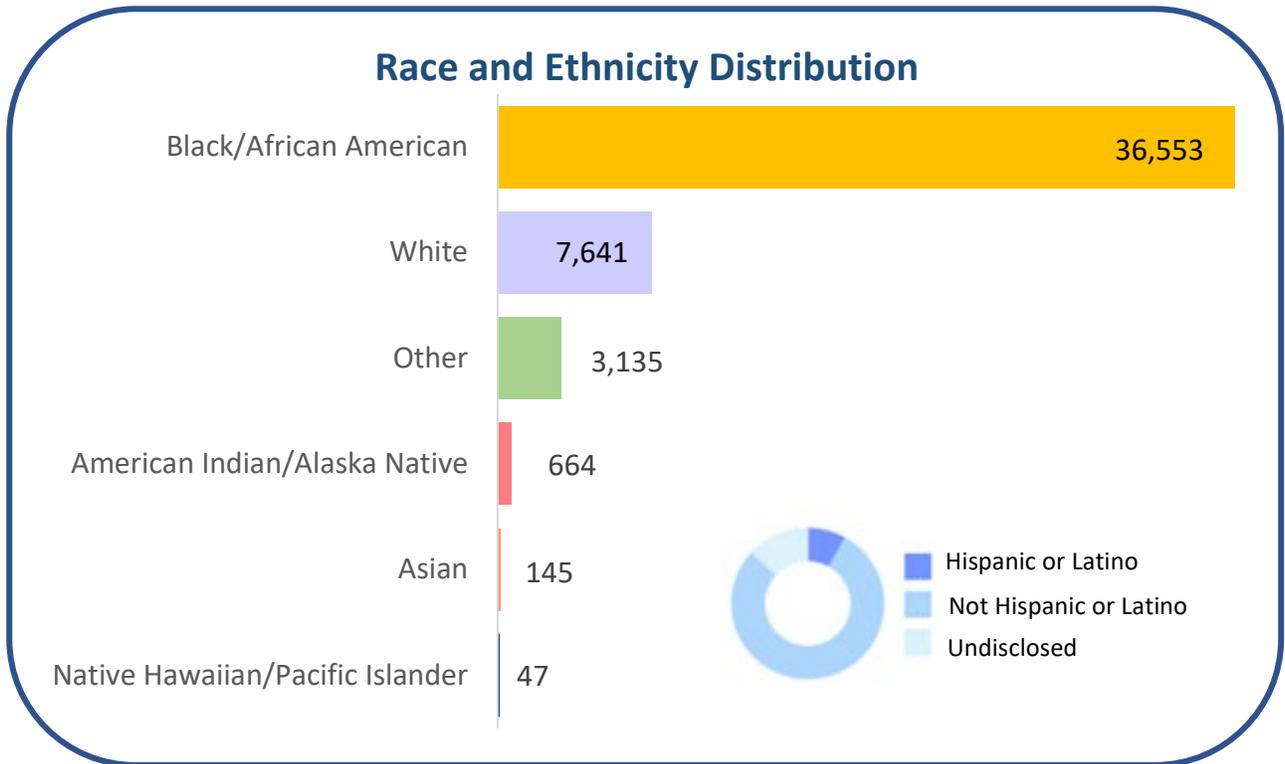
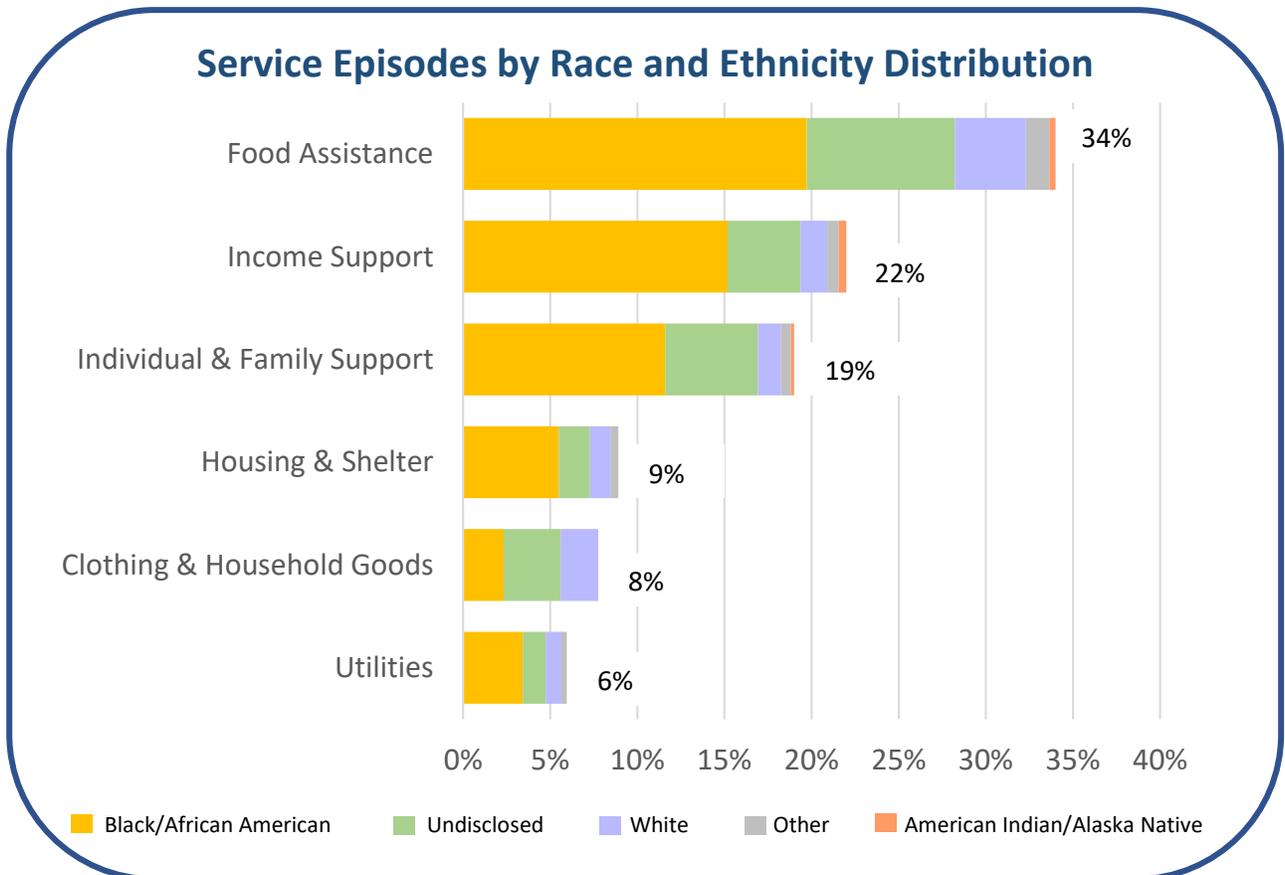
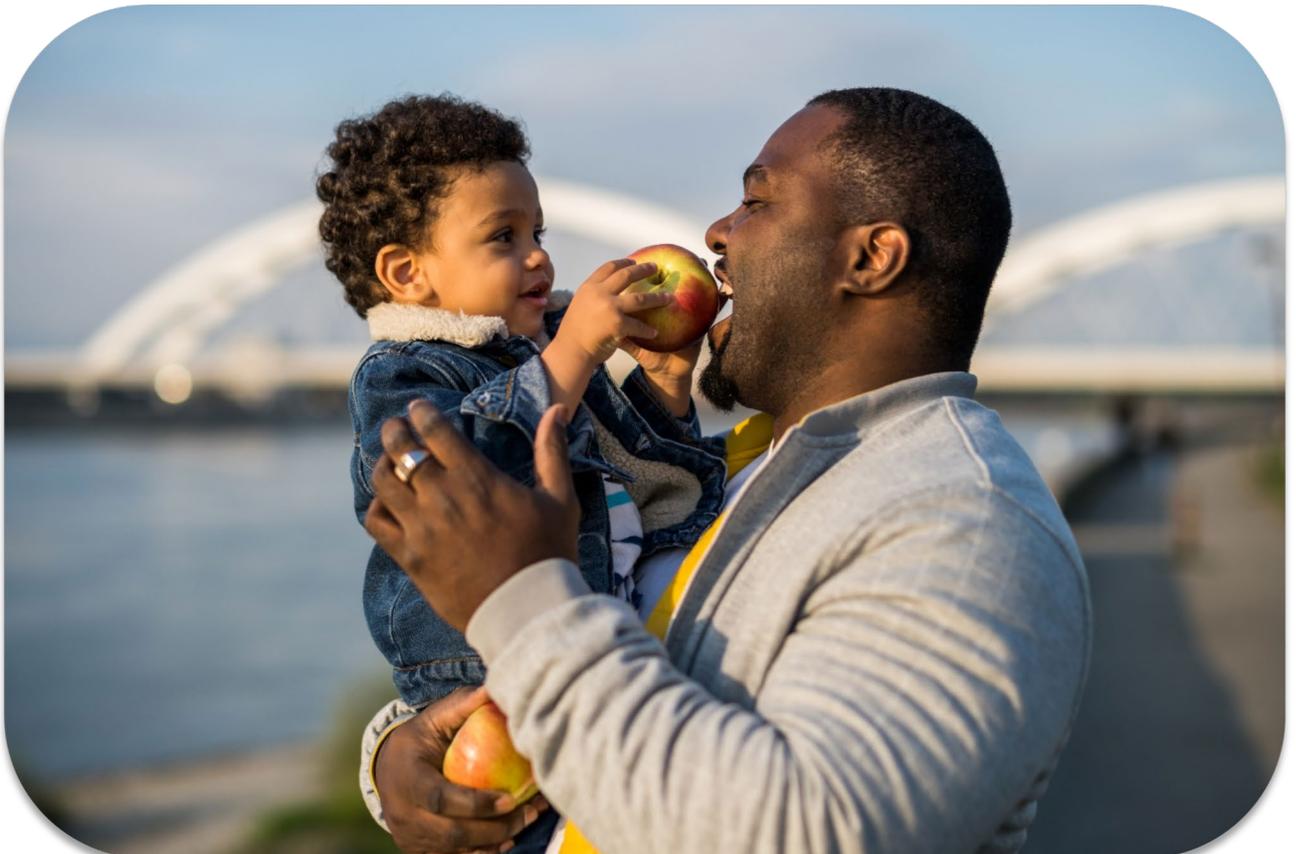


EXHIBIT 12



## State Fiscal Year 2021 Accomplishments

- In September 2020, the Department and NC Medicaid leveraged insights gained from designing the Healthy Opportunities Pilots to launch the Quarantine and Isolation Support Services Program to provide supports to individuals in isolation or quarantine during the COVID-19 pandemic.
- In April 2021, the Quarantine and Isolation Supports Services Program ended after providing services to over 35,000 households, with most resources being provided in historically marginalized communities.
- In May 2021, the Department announced the selection of organizations that would serve three regions of the state as Healthy Opportunities Network Leads (formerly known as Lead Pilot Entities) in 33 primarily rural counties. This marked a major milestone towards launching the Healthy Opportunities Pilots.
- In June 2021, all Prepaid Health Plans in NC were fully onboarded and are now using NCCARE360. The platform developed in partnership with the Foundation for Health Leadership & Innovation will be used by PHPs as part of their care management activities.
- NCServes merged with NCCARE360. The platform launched in 2015 on the Unite Us platform and is the nation's first statewide coordinated network of public, private, and non-profit organizations working together to connect military service members, veterans, and military families with providers and resources for which they are eligible. All NCServes network partners will have access to additional NCCARE360 features and data to better serve military families.
- Over 30,000 clients have been served using the NCCARE360 platform. The Department is now receiving all platform data, which will facilitate the development of strategies to address the needs of North Carolinians.



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## Managing Budget, Cost and Health Care Needs

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Being good stewards of taxpayer dollars through oversight  
and innovation

# Medicaid Transformation to Managed Care

## NC Medicaid Managed Care preparations lead to a successful launch on July 1, 2021

North Carolina's efforts to transition from a fee-for-service delivery model to NC Medicaid Managed Care were given the green light to resume July 2, 2020, after a suspension of nearly seven months. With spending and program authority granted by the state legislature, NC Medicaid quickly resumed preparing to bring a new way of receiving health care to 1.6 million Medicaid beneficiaries.

In spite of working remotely due to COVID-19 safety protocols and the slow-down due to the suspension, NC Medicaid, beneficiaries, providers, local Departments of Social Services, health organizations and advocates, and many other community partners continued to work diligently to launch and test programs and processes, educate beneficiaries on their new health plan options and how to enroll for the first time in North Carolina Medicaid history.

On July 1, 2021, the NC Medicaid Managed Care Standard Plans launched statewide. Simultaneously, the Department rolled out the Eastern Band of Cherokee Indians (EBCI) Tribal Option – the first partnership of its kind in the nation.

As with any program of this complexity and geographic scope, NC Medicaid prepared thoroughly to have communications, systems and processes in place to address issues that could arise. With a large customer service team and a new NC Medicaid Help Center dedicated to providers, the rollout of NC Medicaid Managed Care – over five years in the making – successfully met its goal to ensure beneficiaries received care without interruption and providers continued to be paid.

### State Fiscal Year 2021 Accomplishments

- NC Medicaid enrolled 1.6 million beneficiaries in preparation of NC Medicaid Managed Care Standard Plan launch on July 1, 2021, with 13% taking charge of their own health and proactively selecting a health plan that best fit their needs. About 8% of those beneficiaries personally chose a primary care provider. These results are in line with other states.
- For beneficiaries who did not choose a health plan or provider, NC Medicaid matched 97% with their current providers through auto-enrollment.

## How Medicaid Serves the People and Communities of North Carolina

### *Transformation to NC Medicaid Managed Care:*

“The Department is committed to improving the health and well-being of all North Carolinians through an innovative, whole-person centered, and well-coordinated system of care that addresses both medical and non-medical drivers of health.”

– Former Secretary Mandy Cohen, M.D.

- Established an independent NC Medicaid Ombudsman to help beneficiaries with issues they are unable to resolve by working with their health plan or provider. The Ombudsman provides education, serves as an advocate, and refers and connects beneficiaries to community services for health-related needs and other issues.
- Launched a dedicated [Beneficiary Portal](#) that provides beneficiaries with information and links on how to learn, apply and get started with NC Medicaid – including finding a doctor. The Portal also includes announcements, trending topics and a Knowledge Center where individuals can find answers to questions.
- Increased number and frequency of educational and informative webinars to listen to concerns and answer questions for providers, special interest advocates, beneficiaries and the public.



## Medicaid Contact Center

The Medicaid Contact Center gives beneficiaries, providers and the public a single phone number to call with questions about NC Medicaid and receive quality, efficient service.

The Medicaid Contact Center answers or directs questions by beneficiaries, providers and other stakeholders, ensuring a consistent response and professional service. The Medicaid Contact Center focuses on continually improving internal processes as it evolves into a fully functional information resource for North Carolinians.

The team is charged with full operations and management of the Medicaid Contact Center, which includes issue triage and resolution for Call Center complaints and trends.

### State Fiscal Year 2021 Accomplishments

The NC Medicaid Contact Center created a specialized team of experienced Contact Center Agents to handle Provider Ombudsman duties. Training started in mid-February 2020 and they began duties in March 2020. Within the first 90 days, they handled 1,500 email and phone inquiries from hospitals, members and Medicaid providers. The main mission of the Help Desk is to triage these inquiries to the subject matter experts, but they also resolve 25% of inquiries at the point of contact.

The Medicaid Contact Center continued to evaluate, identify and enhance service. Significant improvements were made in state fiscal year 2021:

- Handled 138,877 calls within an average time of 6:34 minutes per call
- Closed out 96% of incoming calls within specified best practice times
- Continued to provide excellent customer service, decreased abandonment rate from 2.6% to 2.3%
- Addressed workforce issues such as recruiting and retaining top representatives to resolve customer issues on the first call; and provide capacity planning, forecasting, oversight and reporting.
- Continued expansion of the quality and training process to deliver timely and thorough caller assistance.
- Paper applications for Medicaid benefits began in September 2020 due to COVID-19. The Contact Center received 1,400 paper applications and were able to process 1,261 of them in ePASS. The other 139 were not processed due to missing or invalid information.
- There were 26 COVID-specific articles created in the Contact Center database that have been referenced a total of 2,451 times by agents in resolving caller issues.

### How Medicaid Serves the People and Communities of North Carolina

#### *Medicaid Contact Center:*

Provides single number for callers to receive help with any question related to NC Medicaid

Offers bilingual operators to ensure the highest quality of communication

Delivers optimal customer service through expanded employee training

## Provider Operations

Provider Operations manages business processes and operations related to North Carolina health care professionals and facilities who deliver Medicaid and NC Health Choice services.

Provider Operations ensures qualified health care professionals deliver services to Medicaid and NC Health Choice beneficiaries. This includes verifying provider qualifications during the application process, ongoing monitoring of credentials, and using a precise monitoring plan and other tools to oversee the performance of NCTracks. Through the NC Medicaid monitoring plan, Provider Operations proactively identifies trends and areas for improvement. It also supports the provider community by addressing concerns, creating stakeholder engagement activities and communications, development of Medicaid initiatives and continued vendor management efforts.

Provider Operations works closely with providers, facilities, associations and advocacy groups throughout North Carolina to ensure ongoing deliverables and new initiatives help providers of all types deliver services while operating successful businesses.

### State Fiscal Year 2021 Accomplishments

In state fiscal year 2021, Provider Operations prepared for the July 2021 launch of NC Medicaid Managed Care Standard Plans and Eastern Band of Cherokee Indians (EBCI) Tribal Option. This included training opportunities and a new way for beneficiaries to find providers:

- Ensured providers were offered practice level support and technical assistance to smoothly transition to NC Medicaid Managed Care. Through a collaboration with NC Area Health Education Centers (NC AHEC), practice coaches contacted about 2,900 rural and essential primary care providers; led over 40 webinars; and hosted two events where providers could meet and talk with representatives from the NC Medicaid Managed Care Standard Plans.
- Completed the design and deployment of the Medicaid and NC Health Choice Health Plan and Provider Look-up Tool. This tool helps Medicaid and NC Health Choice beneficiaries find information on all types of providers by entering selection criteria. The final Provider Look-up Tool incorporated input from physicians, associations and other stakeholder groups.

## How Medicaid Serves the People and Communities of North Carolina

### *Provider Operations:*

Reduces Medicaid fraud, waste and abuse by ensuring qualified health care professionals are approved to provide Medicaid services

Identifies trending areas of provider concern or potential claims payment issues for faster resolution

Streamlines paperwork so that providers have more time to focus on ways to improve patient health and overall quality of life

Provider Operations also improved and introduced ways to ensure providers who are enrolled in NC Medicaid remain in good standing. This included:

- Establishing a formal process to suspend and, if needed, subsequently terminate providers who did not update their required credentials
- Updating procedures to expand monitoring of license board and state agency disciplinary actions and sanctions
- Initiating a provider license limitation review process to evaluate the appropriateness of participation in NC Medicaid for providers with limitations on their license to practice.

Providers continued to receive support from Provider Operations to deliver services during the COVID-19 pandemic. The team:

- Processed 214 expedited applications for providers enrolling in Medicaid to deliver services for out-of-state providers with an active license in good standing in their home state.
- Extended revalidation due dates for 10,148 providers to avoid potential interruptions in the continuity of care for NC Medicaid beneficiaries.



## Finance

Constant fiscal planning and monitoring enables NC Medicaid leaders to make informed, strategic decisions that use state dollars efficiently to promote better health outcomes.

NC Medicaid strives to optimize the purchasing power of each state dollar in the quest to “buy health” efficiently for Medicaid beneficiaries. In state fiscal year 2021, by blending frequent and varied collaboration with external and internal stakeholders, and rigorous analysis and monitoring, NC Medicaid Finance enabled leaders to pursue innovative services and maintain beneficiaries’ access to the full range of care during the COVID-19 Public Health Emergency, all while staying within the appropriated state budget for the eighth consecutive state fiscal year.

The Finance section analyzes national and state economic trends, changes in the health care market, and trends in Medicaid spending using proven budget and finance practices to prepare the Department and North Carolina for financial challenges that lie ahead. In state fiscal year 2021, NC Medicaid Finance also worked to prepare financial systems and business processes for the launch of the State’s managed care program so that plans and providers could continue receiving payment in a timely manner and beneficiaries could continue receiving services.

The Finance section includes the following teams:

- **Budget** develops the biennium and continuation budgets. This team also proactively monitors forecasted and actual spending versus budget, revises budget amounts based on the latest forecasts, and engages with the Centers for Medicare & Medicaid Services (CMS), OSBM and the Department central finance office to manage cash flow to and from NC Medicaid.
- **Finance & Accounting** maintains accurate financial records, tracks payments and receipts, and manages required federal reporting to CMS. This team also issues and manages recoupment of hardship advance payments to providers to address special economic circumstances.

### How Medicaid Serves the People and Communities of North Carolina

#### *The Finance Team:*

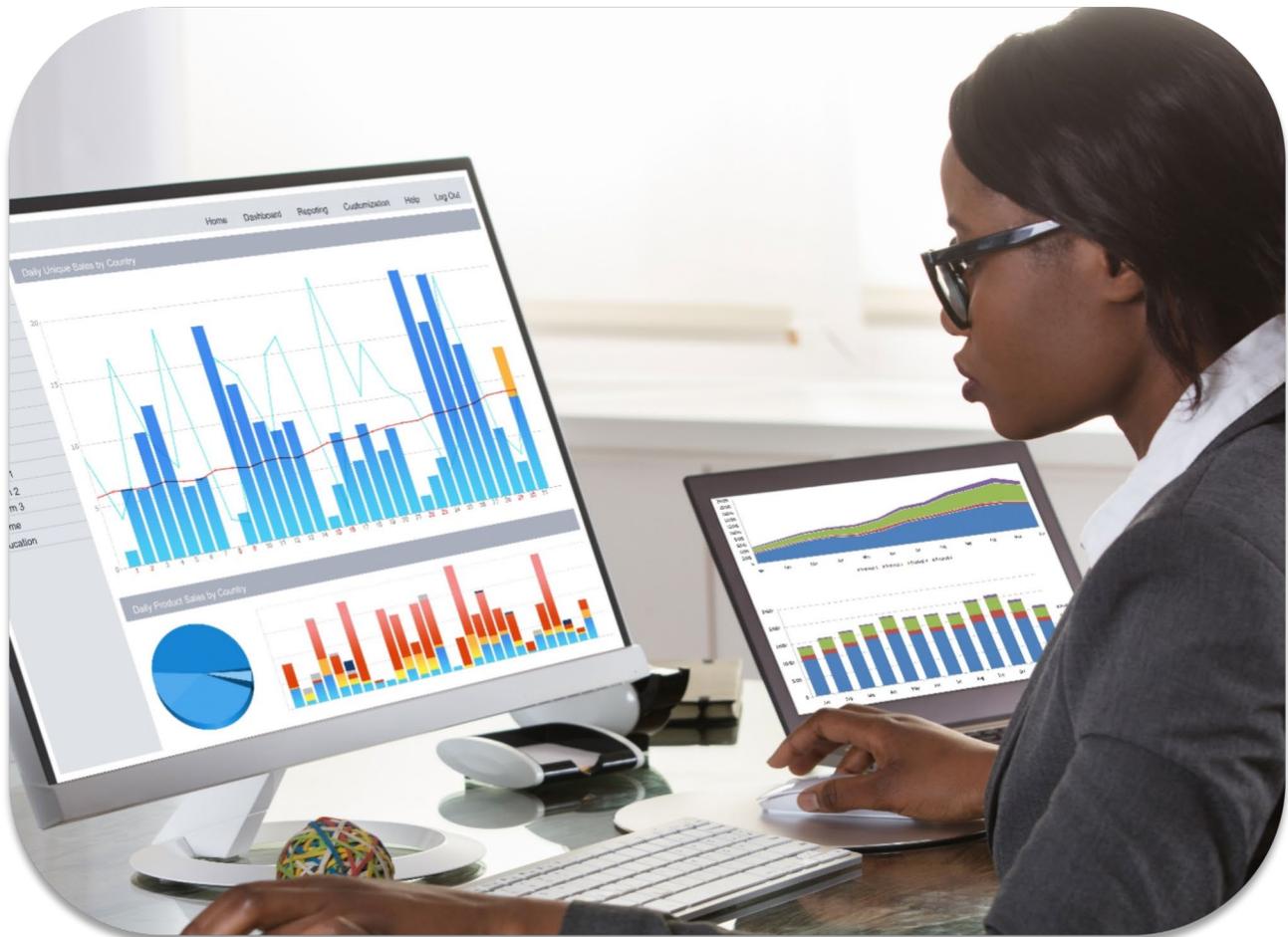
Forecasts Medicaid expenditures, enabling state leaders to more reliably plan North Carolina’s annual budget

Establishes reasonable health care services reimbursement rates that support providers’ business operations and stay within the Medicaid budget

Audits provider cost reports and other data to promote accuracy, planning and compliance with state and federal regulations

Provides day-to-day financial infrastructure that supports efficient, effective operation of NC Medicaid.

- **Provider Reimbursement** (fee-for-service and managed care-focused teams) establishes CMS-approved reimbursement methodologies and rates for the numerous Medicaid-covered health care services and administers the financial implementation of the 1915(b)(c) waiver, including financial monitoring and oversight of local management entities/managed care organizations (LME/MCOs). These teams also complete fiscal estimates associated with new or expanded services.
- **Provider Audit** examines annual NC Medicaid cost reports submitted by a variety of providers, including hospitals, long-term care facilities, federally qualified health centers, rural health clinics, local health departments, local education agencies, ambulance services, and state-owned and -operated institutions. This team also manages the issuance of cost settlements and hospital supplemental payments and oversaw extensive changes to the hospital financing model in state fiscal year 2021.
- **Financial Planning & Analysis** develops spending and enrollment models that inform executive management as they develop biennium budget and cash projections, creates external and internal management reporting on spending and enrollment trends and variances, quantifies the impact of program and policy changes, and responds to ad hoc stakeholder requests.



## Compliance and Program Integrity

The Office of Compliance and Program Integrity ensures compliance, efficiency and accountability by detecting and preventing fraud, waste and abuse.

The NC Medicaid Office of Compliance and Program Integrity (OCPI) verifies dollars are paid appropriately for covered services by using claim reviews and investigations, implementing recoveries, pursuing recoupments and aggressively identifying other opportunities for cost avoidance.

OCPI also protects beneficiary rights with respect to the privacy of health records, as required under the Health Insurance Portability and Accountability Act (HIPAA) of 1996.

### State Fiscal Year 2021 Accomplishments<sup>22</sup>

- Performed prepayment reviews that resulted in denied or reduced claims representing \$41,466,566 in reduced costs to the state
- Recovered \$8,545,068 from post-payment review activities
- Recovered \$396,997 from beneficiary review activities
- Recovered \$295,506 from county audit activities
- Completed preliminary reviews for 1,932 individual complaints, of which 713 cases were referred for further investigation within OCPI

### How Medicaid Serves the People and Communities of North Carolina

*Office of Compliance and Program Integrity:*

Saves taxpayer dollars to be used on other Medicaid health care services

Provides confidence that providers are delivering promised services to beneficiaries

Responds to consumer complaints related to fraud, waste and abuse by providers and beneficiaries

Works with the Attorney General's Office to prosecute those indicted for Medicaid fraud

<sup>22</sup> OCPI results are derived from various internal reports

- County Quality Assurance Team audited 35 counties, reevaluating 7,000 eligibility determinations
- Made 45 referrals to the North Carolina Attorney General’s Office for criminal or civil investigation, resulting in the Attorney General’s Medicaid Investigations Division securing seven convictions and four civil settlements, recovering \$14,167,000

## Responding to Consumer Complaints

OCPI receives complaints from patients, their families and advocates, providers and former employees of providers, and through federal and state referrals. Referrals include complaints made through calls or submitted online:

- Fraud, waste and abuse tip line: 1-877-DMA-TIP1 (1-877-362-8471)
- Fraud and Abuse Confidential Complaint form:  
[medicaid.ncdhhs.gov/get-involved/report-fraud-waste-or-abuse/complaint-form](https://medicaid.ncdhhs.gov/get-involved/report-fraud-waste-or-abuse/complaint-form)

NC Medicaid also responds to fraud calls referred from the North Carolina State Auditor’s Waste Line, 1-800-730-TIPS.



## Business Information & Analytics Office

Connects the organization with business intelligence reports and analysis to support NC Medicaid

The Business Information & Analytics (BIA) Office is a centralized business intelligence team that uses analytical techniques to solve NC Medicaid questions by identifying and gathering strategic insights from NC Medicaid data. BIA is committed to improving the customer experience through analysis, accurate reporting, timely delivery and sustainable growth of reporting capacity. BIA's reporting cornerstones include:

- **Ad hoc and recurring data requests** focused on finding connections in data, via collaboration with subject matter experts, that enhance NC Medicaid's operational monitoring of programs and broaden the organization's strategic understanding of services.
- **Tableau dashboards** help NC Medicaid oversee programs with data visualizations that prompt understanding at both the individual and organizational levels.
- **Cognos Analytics** enables self-service reporting and data access for NC Medicaid business users. It generates both summary and detail reports, tailored to the various programs within the organization.
- **Quality evaluation support** provides clinical consultation and coordinates production of quality metrics fundamental to program oversight and federal reporting.
- **Data warehouse operations** collaborate with the NCAalytics data warehouse vendor to oversee maintenance of and upgrades to the data structure and tools used for Medicaid reporting and analysis.

### How Medicaid Serves the People and Communities of North Carolina

#### *Business Information & Analytics Office:*

Provides operational reporting on Medicaid claims, members, and providers for data-driven decision-making

Increases data visibility by providing public [reports](#) and [dashboards](#) on the Medicaid website for stakeholders to better understand and explore Medicaid data

Manages Medicaid data warehouse enhancements and monitoring processes

## State Fiscal Year 2021 Accomplishments

- Expanded use of business intelligence tools to provide advanced results and more efficient report delivery. These tools include:
  - Cognos Analytics, which has 35 reports prompts and scheduled report delivery.
  - Tableau Server, which contains more than 150 data dashboards to support program monitoring and collaboration.

- IBM Watson Health’s Flexible Analytics modules, which curate analytic data sets for quality measurement, service categorization and admission/outpatient event grouping.
- Prepared for the July 1, 2021, launch of NC Medicaid Managed Care by creating a method to report unified NC Medicaid Direct, LME/MCO and health plan encounter data. “Encounter data” is detailed data generated by health care providers, such as these, that documents both the clinical condition diagnoses and the services and items delivered to beneficiaries to treat these conditions.



# Business & Technology Relationship Management

## Leading technology, business processes and infrastructure to support NC Medicaid

Business & Technology Relationship Management (BTRM) is the central facilitation and contact point for Medicaid-related activities of NCTracks, the Department's multi-payer claims system, including translating business rules into system requirements; and serving as the liaison with the NC Medicaid team on NCTracks execution of beneficiary eligibility, provider enrollment, reimbursement, prior approval and claims adjudication requirements. BTRM also oversees and approves the process to implement corrections to the NCTracks system.

The BTRM team is also responsible for initiating system changes for NC Medicaid Managed Care, which include local management entity/managed care organizations, Program of All-inclusive Care for the Elderly and Community Care of North Carolina. This includes the monitoring and implementation of capitation payments and management fees, monitoring and the implementation of encounters.

The BTRM team oversees the dissemination of the global eligibility file, global provider file, institutional claims file, professional claims file and pharmacy files to the vendors that support NC Medicaid Managed Care.

### State Fiscal Year 2021 Accomplishments

BTRM provided key services that supported NC Medicaid as it managed the delivery of services to Medicaid beneficiaries. These accomplishments included:

- Created and tracked 21 NCTracks customer service requests and 22 NC Medicaid Managed Care customer service requests from initial documentation of operational needs to implementation.
- Reviewed and approved 1,575 NCTracks maintenance requests, providing technical support and guidance to Medicaid business units.
- Generated 375 standard NCTracks service tickets and 16 NC Medicaid Managed Care service tickets. These were tracked through testing, implementation and closure.
- In response to COVID-19, the BTRM team managed 348 NCTracks maintenance requests, 14 service tickets and two customer service requests.

### How Medicaid Serves the People and Communities of North Carolina

#### *Business Technology:*

Provides faster identification of potential Medicaid claims and eligibility issues under the NCTracks system

Manages NCTracks system improvements and corrections process

Initiates, monitors and implements system changes for NC Medicaid Managed Care

Manages infrastructure support for all Medicaid employees

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## Financial Review

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Details of Medicaid and NC Health Choice  
State Fiscal Year 2021 financial results

# Factors Affecting State Fiscal Year 2021 Financial Results

## NC Medicaid finished within budget

NC Medicaid's total spending for state fiscal year 2021 increased by approximately 7.8% compared to the previous year, though expenditure of State appropriations increased only 3.3%. The following four main factors contributed to these results:

- Careful and regular monitoring of spending against forecast and evaluation of new initiatives, such as health equity payments and various policy changes to ensure these would fit within expected spending.
- Continued decreases in service utilization during the first and second quarters of the fiscal year and lower than expected treatment and testing costs related to COVID-19.
- Extension of the public health emergency through the entire fiscal year, which provided twelve months of the temporarily increased federal match rates provided by Congress through the Families First Coronavirus Relief Act (FFCRA).
- Lower average acuity of the beneficiaries either added to or not dropped from enrollment (due to the extended eligibility requirements of the FFCRA).

These factors enabled NC Medicaid to continue to provide temporary policies and other supports that maintained access to care for beneficiaries during the public health crisis. These actions included:

- Providing temporary across-the-board rate increases and expedited hardship advance interim payments to Medicaid providers.
- Providing targeted financial assistance to skilled nursing facilities, adult care homes and providers of home-based long-term care to address outbreaks in congregate care settings and care for COVID-positive individuals.
- Maintaining full Medicaid coverage for all beneficiaries enrolled when the public health emergency began, even if the beneficiary otherwise might have become ineligible.
- Implementing a new health equity program providing payments to support primary care providers working with traditionally underserved populations.
- Implementing a new payment program to assist skilled nursing facilities with regularly testing their staff for COVID-19.

## Expenditure by Funding Source

### State contributed \$4 billion out of a total of \$18 billion

NC Medicaid is jointly funded by North Carolina and the federal government. In state fiscal year 2021 Medicaid and NC Health Choice had expenditures of \$18.1 billion, with \$3.9 billion paid by the state and \$12.4 billion paid by the federal government (see Exhibit 1 on page 2).

Approximately 80% of expenditures were for services, paid for through claims, premiums and capitation payments. These service expenditures are tracked by the various types of Medicaid service, typically referred to as “categories of service”; examples include hospital inpatient and outpatient, skilled nursing facilities and pharmacy.

Other significant expenditures include the following:

- Supplemental hospital payments, which reimburse hospitals for a portion of the cost of treating Medicaid patients and uninsured patients.
- Cost settlements, which are payments or recoveries that reconcile certain providers’ initial Medicaid payments with complete reimbursement for costs.

Other expenditures include contract payments, NC Medicaid administrative costs, health information technology payments and accounting adjustments due to audits or financial activities affecting a prior year (see Exhibit 13 on page 56).

Also of note, some NC Medicaid operations recover funds that reduce expenditures. For example, the Office of Compliance and Program Integrity ensures claims are appropriately and accurately paid, and Third-Party Liability recovers funds paid by NC Medicaid for claims that should have been covered by other insurers.

EXHIBIT 13

### \$18.1 Billion in State Fiscal Year 2021 Fund Level Expenditures (\$ Billions)

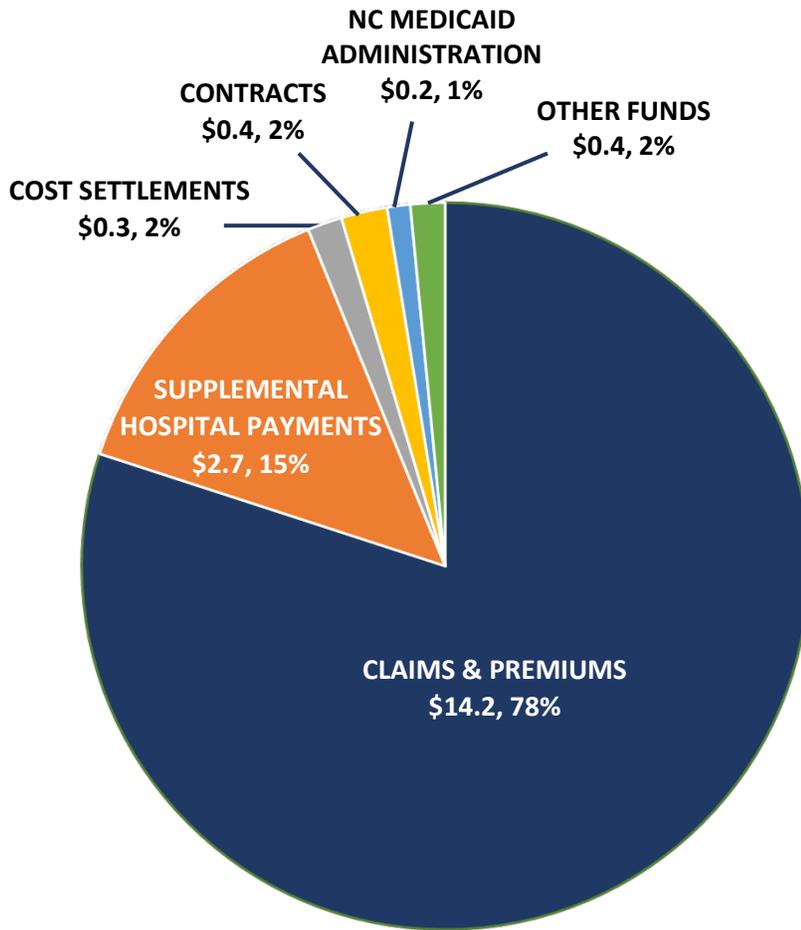


EXHIBIT 14

## Medicaid Assistance Payment by Category of Service

MEDICAL ASSISTANCE PAYMENTS (CLAIMS AND PREMIUMS)   MEDICAID AND NC HEALTH CHOICE (ranked by claims expenditure <sup>23</sup> )			
Service Category	Unduplicated Recipients	Claims Expenditure (\$ millions)	Cost Per Recipient
LME/MCO <sup>24</sup>	1,861,902	\$3,461.9	\$1,859.3
Skilled Nursing Facilities	36,697	2,055.9	56,024.7
Physician	1,724,426	1,199.4	695.5
Hospital Inpatient	216,148	1,098.3	5,081.1
Pharmacy	1,122,019	938.0	836.0
Buy-in/Dual Eligible	-	903.7	N/A
Hospital Outpatient	700,910	669.3	954.9
Personal Care	41,074	597.4	14,545.2
Dental	846,441	414.4	489.6
Hospital Emergency Department	448,387	369.7	824.5
CAP for Disabled Adults	11,481	361.8	31,512.9
Durable Medical Equipment	223,152	295.3	1,323.3
Home Health	16,180	234.8	14,510.5
Practitioner Non-physician	107,552	197.5	1,836.2
Clinic	343,202	160.9	468.7
Lab & X-Ray	589,489	159.4	270.3
Hospice	6,689	128.4	19,198.7
Health Check	776,543	119.7	154.1
PACE <sup>25</sup>	2,787	82.2	29,494.1
CAP-Children	2,970	81.7	27,505.1
Other Services	1,806,874	60.0	33.2
Non-emergency Transportation Services	41,896	48.0	1,146.6
Ambulance	141,772	31.2	220.1
Optical	312,687	23.0	73.6
Ambulatory Surgery Center	37,000	19.0	513.2
<b>Total</b>	<b>2,344,689.0</b>	<b>\$13,710.8</b>	<b>\$5,847.6</b>

<sup>23</sup> Claims expenditure data are net of drug rebates.

<sup>24</sup> Local Management Entity/Managed Care Organization

<sup>25</sup> Program of All-inclusive Care for the Elderly

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## Overview of NC Medicaid Programs and Services

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NC Medicaid offers a wide array of programs and services to eligible North Carolina beneficiaries

# North Carolina Medicaid Programs and Services for Eligible Beneficiaries

NC Medicaid covers a wide variety of programs and services for eligible beneficiaries. Below are some of the most highly used services.

See Exhibit 14 on page 57 for a list of services ranked by claims expenditure. To learn more about programs and services not listed in the annual report, visit the NC Medicaid website at [medicaid.ncdhhs.gov/providers/programs-and-services](https://www.ncdhhs.gov/medicaid/providers/programs-and-services) or call the Medicaid Contact Center at 888-245-0179.

## Ambulance Services

Ambulance services provide ground and air transportation for NC Medicaid beneficiaries who experience a sudden medical emergency and cannot be safely transported by other means, like a car or taxi, to receive medically necessary treatment.

NC Medicaid provides ambulance services to ensure beneficiaries receive appropriate care as soon as possible in a medical emergency. The beneficiary's condition must meet the definition of medical necessity and require medical services that cannot be provided in the beneficiary's home. There are 275 ambulance providers enrolled in Medicaid.

## Ambulatory Surgery Center Services

An ambulatory surgery center provides surgical procedures in an outpatient setting. A beneficiary receives scheduled procedures, including diagnostic and preventive services and is discharged on the same day. Most NC Medicaid beneficiaries are eligible to receive ambulatory surgery center services.

Ambulatory surgery centers relieve the workload of hospitals by offering an alternative outpatient setting for a growing number of critical procedures. Without these services, Medicaid beneficiaries would be required to visit the hospital for all surgical procedures. As of July 2021, there were 144 ambulatory surgery center providers enrolled in NC Medicaid.

## How Medicaid Serves the People and Communities of North Carolina

*Some programs for:*

### Children

Community Alternatives Program for Children (p. 8)

Dental Services (p.60)

Health Check Early Preventive Health Screening (p. 33)

Optical Services (p. 64)

### Adults with Disabilities

Community Alternatives Program for Disabled Adults (p. 8)

### Seniors

Program of All-Inclusive Care for the Elderly (p. 65)

## Clinic Services

Collaborating with federal, state and local partners, NC Medicaid offers an array of clinic services. These include federally qualified health centers, rural health clinics, local health departments and end stage renal disease dialysis facilities.

Federally qualified health centers and rural health clinics provide a core set of health care services mandated by federal Medicaid laws. In state fiscal year 2021, there were 369 federally qualified health centers and 110 rural health clinics with services provided by a physician, physician assistant, nurse practitioner or certified nurse midwife. The Office of Rural Health and NC Medicaid work together to oversee rural health clinics.

In state fiscal year 2021, five end-stage renal disease facilities were added to provide dialysis treatments to NC Medicaid beneficiaries, bringing the total to 290 clinics.

## Community Alternatives Programs for Children

See page 8.

## Community Alternatives Programs for Disabled Adults

See page 8.

## Dental Services

Dental services are provided to NC Medicaid beneficiaries of all ages and NC Health Choice beneficiaries ages 6-18. Dental services include check-ups, X-rays and cleanings; fillings and extractions; complete and partial dentures; and certain surgery procedures.

Dental decay is the most common chronic disease in children; it is about five times more common than asthma. Uncontrolled oral disease may lead to a higher risk of developing or exacerbating problems like diabetes, heart disease and bacterial pneumonia.<sup>27</sup> Oral health care is even more important for beneficiaries who are chronically ill or have special health care needs (aged, blind, disabled, intellectual or developmental disabilities).<sup>28</sup> Over half of the births in North Carolina are to Medicaid-eligible women.<sup>29</sup>

Pregnant women with poor oral health are at higher risk for adverse birth outcomes like pre-term and low birth-weight babies and may more readily transmit bacteria that cause oral disease to their young children.<sup>30</sup>

Medicaid and NC Health Choice dental services provide the opportunity for North Carolinians to improve oral health and lower the risk of compounding systemic health issues. Orthodontic services also are provided to some beneficiaries under age 21 with functionally impaired ability to speak, eat, swallow or chew due to misaligned teeth or jaw growth discrepancies.

<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC2821841/>

<sup>27</sup> U.S. National Library of Medicine/NCBI at <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC88948/>

<sup>28</sup> National Institute of Dental & Craniofacial Research at <https://www.nidcr.nih.gov/health-info/developmental-disabilities/more-info>

<sup>29</sup> Kaiser Family Foundation at <https://www.kff.org/medicaid/state-indicator/births-financed-by-medicaid/?currentTimeframe=0&selectedRows=%7B%22states%22:%7B%22northcarolina%22:%7B%7D%7D%7D&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D>

<sup>30</sup> American Family Physician: Oral Health During Pregnancy at <https://www.aafp.org/afp/2008/0415/p1139.html>

## Durable Medical Equipment

The NC Medicaid Durable Medical Equipment (DME) program covers medically necessary equipment and supplies, as well as orthotics and prosthetics for enrolled Medicaid and NC Health Choice beneficiaries and for individuals enrolled in both Medicare and Medicaid.

DME refers to items used to maintain or improve a beneficiary's medical, physical or functional level and appropriate for use in a residential setting where normal life activities take place. Examples of covered equipment and supplies include wheelchairs, hospital beds, walkers, canes and crutches; oxygen, CPAP and nebulizers urinary catheters, feeding tubes, enteral formula and glucose test strips.

"Orthotics and prosthetics" refers to braces and splints used to support or align joints, limbs or the spine, as well as devices that replace a missing or malfunctioning body part to preserve or improve function.

## Hearings Office

Medicaid beneficiaries are protected by a U.S. constitutional right of due process. Before a request for service is denied or reduced, and before eligibility is denied or stopped, a beneficiary is entitled to a clear and easy-to-understand notice of the decision, delivered in a reasonable amount of time.

NC Medicaid has a [comprehensive due process system](#)<sup>26</sup> to ensure beneficiaries feel comfortable challenging a denied eligibility or covered service. When beneficiaries request a review of a decision, informal mediation is offered and, if needed, a state fair hearing is held before an impartial third party. At that hearing, the beneficiary may present additional information and question the reasons for the decision.

## Health Check Early Preventive Health Screening

See page 33.

## Home Health Services

Home health services are medically necessary skilled nursing services, specialized therapies (physical therapy, speech-language pathology and occupational therapy), home health aide services and medical supplies provided to beneficiaries at home or in adult care homes. Services are available to Medicaid and NC Health Choice beneficiaries at any age.

Home health services reduce the length and cost of hospital stays for beneficiaries while promoting independence and self-sufficiency. These services are designed to be offered on a short-term or intermittent basis. Home health services provide cost-effective alternatives to hospital or skilled nursing facility care. They reduce admission into skilled nursing facilities and allow beneficiaries to receive required treatment in the comfort of their homes.

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<sup>26</sup> Due process information is at <https://medicaid.ncdhhs.gov/medicaid/administrative-hearings-appeals>.

## Hospice Services

The Medicaid and NC Health Choice hospice benefit provides coordinated and comprehensive services for the physical, psychosocial, spiritual and emotional needs of terminally ill beneficiaries, their families and caregivers. Services are provided in private homes, hospice residential care facilities and a variety of other settings.

People in the end stage of their disease may prefer to manage pain and other symptoms in the comfort of their own home rather than continue treatment in a hospital setting. Providers with specialized skills and training to care for those in their final days are necessary to ensure the most appropriate physical and emotional care.

With Medicaid hospice services, beneficiaries with a life expectancy of six months or less may choose to forgo curative measures and, instead, use palliative medicine to manage symptoms. Hospice provides a person-centered approach to end-of-life care, improving the quality of life for beneficiaries and their families.

## Hospital Emergency Department Services

Hospital emergency departments provide acute care at the sudden onset of a medical condition that may or may not require hospital inpatient admission. Emergency department services received within 24 hours of admission are included as part of the inpatient hospital stay.

Without hospital emergency department benefits, the burden for emergency care would shift to physicians and clinics. A hospital emergency department benefit provides for stronger hospital systems that provide emergency health care needs by uniquely qualified staff in an appropriate setting, while allowing physicians and clinics to practice primary and integrated care.

## Hospital Inpatient Services

Hospital inpatient services are primarily treatments that are not practical or advisable to be delivered on an outpatient basis, provided under the direction of a physician or a dentist and received by a Medicaid patient in a facility qualified to participate in Medicare as a hospital.

Hospital inpatient services hold a significant role in diagnosing and treating illness while also providing opportunities for NC Medicaid beneficiaries to become a healthier population with enhanced quality of life based on improved quality of care. Hospital inpatient services are an important aspect of any health care system. Without this Medicaid coverage, beneficiaries suffering from significant illness or physical trauma would not have access to necessary procedures or intensive care.

## Hospital Outpatient Services

Hospital outpatient services cover a wide variety of treatments including preventive, diagnostic, therapeutic, rehabilitative and palliative. These services ordinarily do not require admission to a facility, are provided by or under the direction of a physician or dentist and are received by a NC Medicaid patient in a hospital setting.

Hospital outpatient services provide access to crucial medical care for beneficiaries, while enabling hospitals to provide that care in a quality-oriented and efficient manner. Services that do not require patients to be admitted allow hospitals to dedicate necessary resources to their inpatient services.

The hospital outpatient benefit also provides cost-effective laboratory and radiology services, which can be costlier in other settings. This ensures NC Medicaid beneficiaries have access to a wider variety of these services.

## Lab and X-ray Services

Lab and X-ray services include diagnostic lab tests performed in independent laboratories; and lab tests, portable X-rays and ultrasounds that take place in independent diagnostic testing facilities.

North Carolina provides laboratory services to enrolled Medicaid and NC Health Choice beneficiaries, and to individuals enrolled in both Medicare and NC Medicaid. X-ray services are included in this category and typically account for a small percentage of total expenditure.

## Licensed Non-Physician Provider Services

Licensed non-physician provider services are evaluations and treatments performed by independent providers licensed to provide audiology, occupational, physical, respiratory and speech therapy services. A physician's order and prior approval are required for these services.

Children's development services agencies, home health agencies, hospital outpatient clinics, physicians' offices, local education agencies and single-specialty and multi-specialty group practices provide Medicaid therapy services for specific age groups.

To ensure all children receive therapy to improve development skills delayed by impairments or during recovery from an injury or illness, independent providers deliver Medicaid specialized therapy services to eligible beneficiaries under age 21 and NC Health Choice beneficiaries under age 19. Therapy services can be provided in a clinic, office or school setting as well as the beneficiary's home, day care or preschool.

To ensure all adult beneficiaries age 21 and over receive medically necessary therapy to improve recovery from an illness, injury or surgical procedure, adult beneficiaries can receive therapy through a physician's office that employs therapists, a home health agency or through a hospital outpatient facility.

## Medicare Cost Assistance

Medicare beneficiaries eligible for NC Medicaid receive assistance with Medicare costs, providing an extra benefit tailored to this population while mitigating financial risk to the State. Beneficiaries outside of full Medicaid income and resource requirements may still receive assistance with some Medicare premiums, copayments and deductibles under the Medicare Aid programs.

## Money Follows the Person

See page 11.

## Non-emergency Medical Transportation Services

NC Medicaid beneficiaries are provided non-emergency medical transportation (NEMT) services to and from medical appointments through local Department of Social Services (DSS) offices. DSS contracts with vendors, including public transportation, taxi cabs, private transportation companies, volunteers and DSS staff, using private and agency vehicles.

NC Medicaid beneficiaries often do not have the resources to travel to medical appointments. Non-emergency medical transportation ensures that eligible NC Medicaid beneficiaries have access to vital health care.

Transportation providers are reimbursed for mileage. Beneficiaries and friends, and financially and non-financially responsible individuals may be reimbursed for mileage and travel-related expenses, such as meals and overnight stays, and are provided gas vouchers when they drive their own vehicles.

## Optical Services

Medicaid and NC Health Choice programs cover optical services, which include routine eye examinations, eyeglasses and medically necessary contact lenses for all child and adult Medicaid beneficiaries and NC Health Choice beneficiaries.

Through a partnership between NC Medicaid and the NC Department of Public Safety, eyeglasses are fabricated by Nash Correctional Institution's full-service optical laboratory. There have been no cost increases since 1998 for lenses or add-ons; frame costs have increase minimally with frame updates.

## Personal Care Services

Personal care services (PCS) include a range of human assistance services to help with routine activities of daily living for NC Medicaid beneficiaries of all ages with disabilities and chronic conditions. Services are provided to NC Medicaid beneficiaries in a variety of settings.

The five qualifying activities of daily living of the program are bathing, dressing, eating, toileting and mobility. PCS allow beneficiaries who need assistance with activities of daily living the opportunity to receive services in a setting that is least restrictive and promotes beneficiary independence.

PCS provides person-to-person, hands-on assistance with activities of daily living by a direct care worker in the beneficiary's home or other setting. PCS also includes assistance with instrumental activities of daily living, such as light housekeeping tasks, when directly related to the approved activities of daily living and the assistance is specified in the beneficiary's PCS program service plan.

NC Medicaid beneficiaries receiving PCS must have a medical condition, disability or cognitive impairment, and demonstrate unmet needs for a certain number of qualifying activities of daily living at varying levels of required assistance.

Over 33,000 individuals across the state receive PCS each year. Utilization remains stable from year to year as the program for some is critical to avoiding admissions to skilled nursing facilities by offering long-term services and supports in a home environment.

High utilization of PCS in North Carolina and across the country has resulted in a federal mandate, the 21<sup>st</sup> Century Cures Act Section 12006, directing states to implement electronic visit verification (EVV) for all PCS programs. EVV will offer a measure of accountability to help ensure that individuals who are authorized to receive services, in fact, receive them. The NC Department of Health and Human Services issued a Request for Proposal for an EVV vendor to ensure compliance with the Cures Act. The Department plans to implement EVV across all Medicaid PCS programs in state fiscal year 2022.

## Pharmacy

See page 14.

## Physician Services

NC Medicaid physician services are provided by all physician specialties. Also included are licensed non-physician providers like nurse practitioners, physician assistants, certified nurse midwives and certified nurse anesthetists. Services are provided to NC Medicaid-eligible beneficiaries, with certain restrictions depending on the eligibility category. Prenatal care physician services are provided to pregnant beneficiaries.

North Carolina provides access to health care for low-income children, families and seniors. Without this care, health issues can develop into long-term, chronic illnesses that prevent people from experiencing a full life, providing for their families and contributing to their communities. Physician services provide continuing and comprehensive medical care, health maintenance and preventive services to NC Medicaid beneficiaries, including the appropriate use of consultants, health services and community resources.

## Program of All-Inclusive Care for the Elderly

The Program of All-inclusive Care for the Elderly (PACE) is a national model of a capitated full-risk managed care program for adults ages 55 and older who require nursing facility-level of care. The overall goal is to provide high quality care by managing all health and medical needs to delay or avoid unnecessary hospitalization and provide a community-based alternative to long-term care placement.

PACE offers a comprehensive array of services including primary health clinics, adult day care programs, areas for therapeutic recreation, personal care and other acute, emergency care and long-term care services for those enrolled in the program. Each beneficiary has an interdisciplinary team to case manage services provided or arranged by the PACE organization.

PACE provides medical care, meal services, physical therapy, activities, socialization and restorative therapies in one location. There are currently 11 PACE organizations delivering services at 12 locations in NC. As of June 1, 2021, PACE organizations were serving a total of 2,086 beneficiaries.

## Skilled Nursing Facilities

Skilled nursing facilities provide short- and long-term care to beneficiaries, placing patients under the close supervision of doctors and nurses specially trained to treat a variety of conditions. Additionally, skilled nursing facilities offer rehabilitative care to patients recovering from stroke, joint replacement surgeries or other disabling medical conditions that result in loss of independent function.

Nursing facilities offer placement to support individuals who are recovering from an acute health condition when hospitalization is no longer appropriate, and the supervision of licensed health providers is still needed more than eight hours a day. The Division of Health Service Regulation currently regulates and licenses 423 skilled nursing facilities in the state.

Medicare may cover the first 20 days of a skilled nursing home placement at 100% of skilled nursing the facility costs. After that, Medicare will cover 80% of the cost of care up to 100 days. Some residents are unable to cover the cost of treatment when Medicare runs out. Medicaid coverage for nursing care helps ensure continued access to care for these individuals when they are eligible for Medicaid.



## NC Medicaid Employees' Dedication Extends into Communities

NC Medicaid is dedicated to improving the health and lives of people throughout North Carolina. Over 500 people, based in Raleigh and throughout the state, come to work each day because they firmly believe NC Medicaid can make a difference. This commitment goes beyond daily work, however, as their passion to personally help those in need reaches into communities across the state.

Activities included Dix Park cleanup, senior grocery distribution and sorting books for school children.

- **Partnering with community organizations.** NC Medicaid employees helped four non-profit groups with five community projects in state fiscal year 2021. The result was 81.5 volunteer hours provided to help these organizations reach their goals.
- **Bringing Joy to Seniors through Interfaith Food Shuttle Senior Meal Pack & Delivery.** Four volunteers were able to pack and deliver dry goods for residents at several senior communities in the Raleigh/Wake County area. The delivery portion was especially delightful as several recipients offered their thanks and gratitude to the volunteers for going above and beyond, particularly during a pandemic. This community service opportunity has been established as an ongoing opportunity for Medicaid staff.
- **FEMA COVID-19 Mass Vaccination.** Employees volunteered at the Greensboro FEMA site to assist in the effort to help North Carolinians receive the COVID-19 vaccination.

### How Medicaid Serves the People and Communities of North Carolina

*Medicaid employees' impact on the community:*

4 organizations

5 community projects

25 employees

81.5 volunteer hours

Sorted over 2,500 books for Wake County school children

Donation of \$21,964 to State Employees Combined Campaign

NC Medicaid employees are dedicated to making a positive impact on people's lives, on and off the job.

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## Additional Exhibits

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## Medicaid and NC Health Choice Funding Sources State Fiscal Years 2020 and 2021

EXHIBIT 15

	MEDICAID (\$ Millions)			
	SFY 2020 Actuals	SFY 2020 Budget	SFY 2021 Actuals	SFY 2021 Budget
Expenditure	\$16,744	\$16,840	\$17,908	\$18,041
Revenues	12,928	12,941	14,019	13,954
Appropriations	\$3,816	\$3,899	\$3,889	\$4,088

	NC HEALTH CHOICE (\$ Millions)			
	SFY 2020 Actuals	SFY 2020 Budget	SFY 2021 Actuals	SFY 2021 Budget
Expenditure	\$253	\$252	\$230	\$232
Revenues	236	228	190	189
Appropriations	\$17	\$24	\$40	\$42

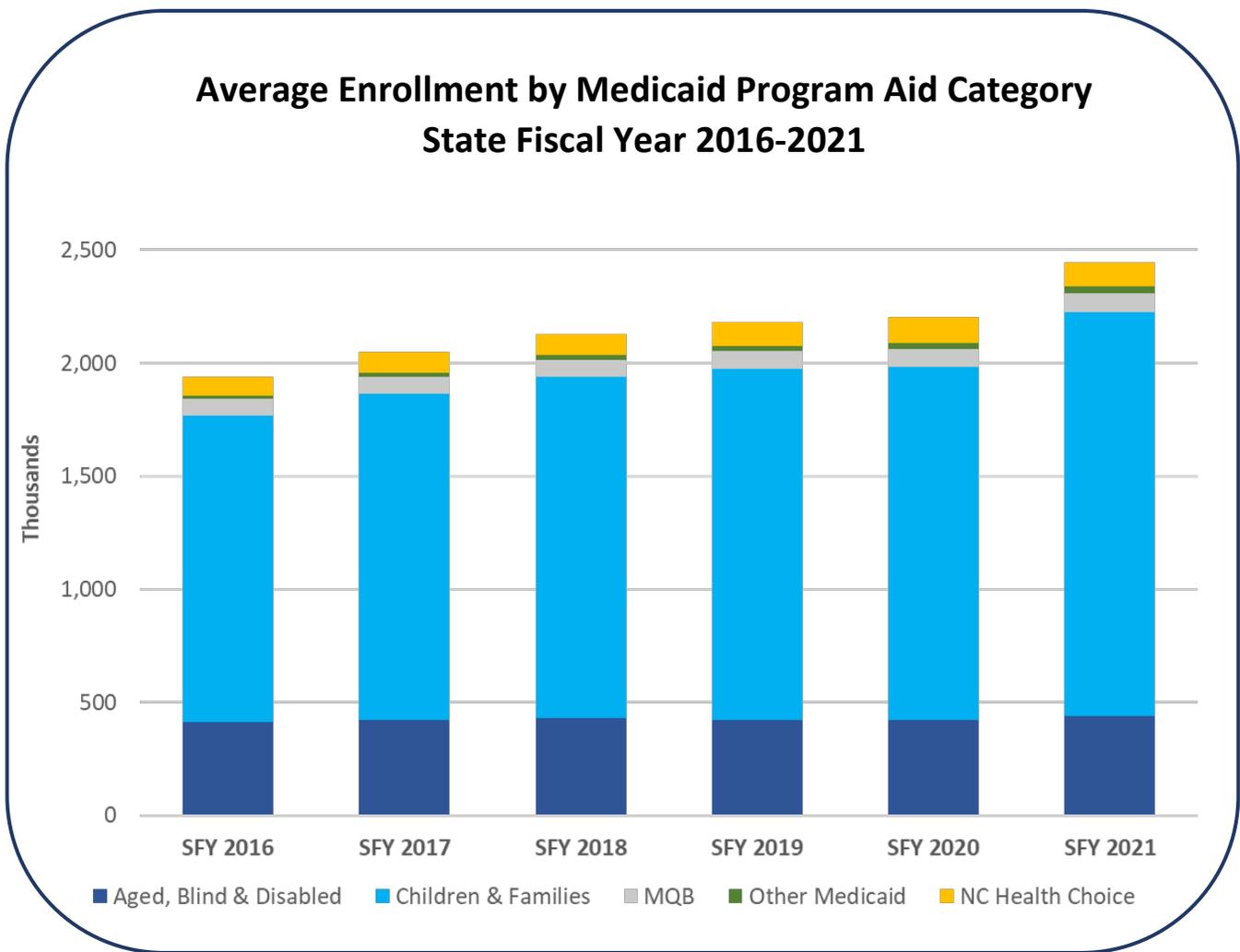
	MEDICAID AND NC HEALTH CHOICE (\$ Millions)			
	SFY 2020 Actuals	SFY 2020 Budget	SFY 2021 Actuals	SFY 2021 Budget
Expenditure	\$16,997	\$17,091	\$18,138	\$18,273
Revenues	13,164	13,168	14,209	14,143
Appropriations	\$3,833	\$3,923	\$3,929	\$4,130

Note: Due to rounding, expenditure minus revenues may not equal appropriations figure shown.

## Average Enrollment by Medicaid Program Aid Categories State Fiscal Years 2015-2021

Medicaid program aid categories<sup>27</sup> are groups of beneficiary types who are generally eligible for similar Medicaid services. Aid categories can be used to track enrollment and other results over time. NC Medicaid uses this information as one of the ways to best manage the Medicaid and NC Health Choice programs. See the Medicaid website for a complete list of [program aid categories](#).<sup>28</sup>

EXHIBIT 16



<sup>27</sup> Program aid categories are used by NC Medicaid for reporting purposes. They are not used to determine eligibility. For information about Medicaid eligibility requirements, please contact your [local Department of Social Services](#).

<sup>28</sup> Program aid categories can be found at [https://files.nc.gov/ncdma/documents/files/program-aid-category-high-level-definitions\\_0.pdf](https://files.nc.gov/ncdma/documents/files/program-aid-category-high-level-definitions_0.pdf).

<sup>29</sup> "Medicare Qualified Beneficiary" (MQB) are those who qualify for Medicare and NC Medicaid. NC Medicaid may help beneficiaries in this category pay for certain Medicare out-of-pocket costs, such as premiums.

## Medicaid and NC Health Choice Expenditure by Category of Service State Fiscal Years 2020 and 2021

EXHIBIT 17

EXPENDITURE BY CATEGORY OF SERVICE   MEDICAID AND NC HEALTH CHOICE (ranked by SFY 2021 claims expenditure)							
Service Category	SFY 2020			SFY 2021			Cost Per Recipient Variance vs SFY 2020
	Unduplicated Recipients <sup>30</sup>	Claims Expenditure (\$ Millions) <sup>31</sup>	Cost Per Recipient	Unduplicated Recipients <sup>36</sup>	Claims Expenditure (\$ Millions) <sup>37</sup>	Cost Per Recipient	
LME/MCO <sup>32</sup>	1,862,695	\$2,939.5	\$1,578.1	1,861,902	\$3,461.8	\$1,859.3	17.8%
Hospital Inpatient	229,008	3,218.4	14,053.7	216,148	2,531.2	11,710.4	-16.7%
Skilled Nursing Facilities	41,527	1,509.9	36,359.5	36,697	2,057.9	56,079.0	54.2%
Physician	1,782,877	1,215.5	681.8	1,724,426	1,191.3	690.8	1.3%
Pharmacy	1,301,567	712.1	547.1	1,122,019	917.0	817.2	49.4%
Buy-in/Dual Eligible	-	944.3	N/A	-	903.6	N/A	N/A
Hospital Outpatient	703,783	930.0	1,321.4	700,910	827.3	1,180.3	-10.7%
Personal Care Services	43,044	495.2	11,503.6	41,074	597.0	14,535.0	26.4%
Dental	920,077	\$351.5	\$382.0	846,441	\$418.9	\$494.9	29.6%
Hospital Emergency Dept.	565,724	366.2	647.4	448,387	368.2	821.2	26.9%
CAP <sup>33</sup> for Disabled Adults	12,020	310.0	25,788.7	11,481	361.8	31,512.9	22.2%
Durable Medical Equipment	243,579	263.5	1,081.9	223,152	294.6	1,320.0	22.0%
Home Health	375,528	281.1	748.5	343,202	250.3	729.4	-2.6%
Practitioner Non-physician	18,672	224.4	12,016.4	16,180	234.3	14,480.8	20.5%
Clinic	106,671	183.9	1,723.9	107,552	197.1	1,832.2	6.3%
Lab & X-ray	460,228	107.1	232.7	589,489	158.9	269.6	15.9%
Hospice	7,454	98.2	13,171.5	6,690	128.4	19,191.3	45.7%
Health Check	752,403	107.7	143.1	776,543	119.2	153.4	7.2%
PACE <sup>34</sup>	154,307	129.2	837.1	141,772	112.1	790.4	-5.6%
CAP <sup>33</sup> for Children	2,714	88.1	32,461.3	2,787	82.2	29,494.1	-9.1%
Other Services	2,745	68.4	24,907.1	2,970	81.6	27,468.0	10.3%
Non-emergency Medical Trans.	55,590	63.5	1,141.9	#N/A	48.0	N/A	N/A
Ambulance	302,260	27.3	90.4	312,687	23.0	73.7	-18.5%
Optical	36,057	39.2	1,086.1	37,000	18.9	511.4	-52.9%
Ambulatory Surgery Center	1,689,817	1,176.2	696.0	1,806,874	2,848.8	1,576.7	126.5%
<b>Total</b>	<b>2,332,709</b>	<b>\$15,850.1</b>	<b>\$6,794.7</b>	<b>2,335,138</b>	<b>\$18,233.4</b>	<b>\$7,808.3</b>	<b>14.9%</b>

<sup>30</sup> "Unduplicated recipients" means individuals are counted once to avoid multiple counts of a single person. Column total represents the number of unique individuals served across all service categories, not the total of individuals served within each category. Some individuals may enter and exit one or more service categories on multiple occasions throughout the state fiscal year depending on eligibility status.

<sup>31</sup> Claims expenditure data are net of drug rebates.

<sup>32</sup> Local Management Entity/Managed Care Organization

<sup>33</sup> Community Alternatives Program

<sup>34</sup> Program of All-Inclusive Care for the Elderly

## Medicaid Expenditure by Category of Service State Fiscal Years 2020 and 2021

EXHIBIT 18

EXPENDITURE BY CATEGORY OF SERVICE   MEDICAID (ranked by SFY 2021 claims expenditure)							
Service Category	SFY 2020			SFY 2021			Cost Per Recipient Variance
	Unduplicated Recipients <sup>35</sup>	Claims Expenditure (\$ Millions) <sup>36</sup>	Cost Per Recipient	Unduplicated Recipients <sup>41</sup>	Claims Expenditure (\$ Millions) <sup>42</sup>	Cost Per Recipient	
LME/MCO <sup>37</sup>	1,847,047	\$2,939.5	\$1,591.44	1,861,902	\$3,461.8	\$1,859.3	16.8%
Hospital Inpatient	41,441	1,495.4	\$36,084.07	214,855	\$2,518.7	11,722.8	-14.9%
Skilled Nursing Facilities	1,621,243	1,183.0	\$729.66	36,697	\$2,057.9	56,079.0	53.9%
Physician	232,608	1,054.3	\$4,532.69	1,635,621	\$1,153.9	705.5	-2.3%
Pharmacy	-	944.3	N/A	1,059,565	\$848.2	800.5	44.9%
Buy-in/Dual Eligible	1,144,305.0	656.5	\$573.73	-	\$903.6	N/A	N/A
Personal Care	639,611	572.3	\$894.83	41,074	\$597.0	14,535.0	24.0%
Hospital Emergency Dept.	42,242	495.6	\$11,732.87	434,037	\$359.4	828.1	19.6%
Dental	520,065	362.9	\$697.82	777,220	\$394.3	507.3	15.6%
CAP for Disabled Adults	776,912	343.7	\$442.37	11,481	\$361.8	31,512.9	20.2%
Durable Medical Equipment	11,826	310.2	\$26,232.88	218,165	\$289.5	1,327.0	17.1%
Clinic Services	230,896	262.9	\$1,138.74	329,248	\$244.5	742.7	-9.0%
Practitioner Non-physician	16,717	229.5	\$13,726.75	94,297	\$175.6	1,861.7	10.8%
Home Health	94,466	160.0	\$1,693.31	16,158	\$234.3	14,498.1	8.0%
Lab & X-ray	336,745	138.1	\$409.95	562,573	\$155.1	275.7	6.7%
Health Check	1,652,318	134.4	\$81.36	722,410	\$113.0	156.5	-2.5%
CAP <sup>38</sup> for Children	412,085	107.2	\$260.02	2,970	\$81.6	27,468.0	17.6%
Hospice	661,396	106.8	\$161.45	6,689	\$128.4	19,194.2	53.1%
Non-emergency Medical Trans.	7,830	98.4	\$12,572.16	41,896	\$48.0	1,146.6	-2.0%
Ambulance	2,929	88.1	\$30,078.53	140,342	\$111.8	796.8	-8.6%
PACE <sup>39</sup>	2,926	69.1	\$23,602.19	2,787	\$82.2	29,494.1	-1.9%
Optical	54,271	63.5	\$1,169.69	286,912	\$21.2	73.8	6.9%
Ambulatory Surgery Center	147,785	34.0	\$229.93	36,246	\$18.4	\$508.7	5.7%
Hospital Outpatient	273,649	19.0	\$69.51	675,507	\$814.0	\$1,205.0	-16.0%
Other Services	33,629	16.3	\$483.81	1,675,475	\$2,829.9	1,689.0	140.5%
<b>Total Medicaid</b>	<b>2,176,617</b>	<b>\$15,598.4</b>	<b>\$7,166.3</b>	<b>2,176,617</b>	<b>2,198,602</b>	<b>\$18,004.2</b>	<b>\$8,188.9</b>

<sup>35</sup> "Unduplicated recipients" means individuals are counted once to avoid multiple counts of a single person. Column total represents the number of unique individuals served across all service categories, not the total of individuals served within each category. Some individuals may enter and exit one or more service categories on multiple occasions throughout the state fiscal year depending on eligibility status.

<sup>36</sup> Claims expenditure data are net of drug rebates.

<sup>37</sup> Local Management Entity/Managed Care Organization

<sup>38</sup> Community Alternatives Program

<sup>39</sup> Program of All-inclusive Care for the Elderly

## NC Health Choice Expenditure by Category of Service State Fiscal Years 2020 and 2021

EXHIBIT 19

EXPENDITURE BY CATEGORY OF SERVICE   NC HEALTH CHOICE (ranked by SFY 2021 claims expenditure)							
Service Category	SFY 2020			SFY 2021			Cost Per Recipient Variance
	Unduplicated Recipients <sup>40</sup>	Claims Expenditure (\$ Millions) <sup>41</sup>	Cost Per Recipient	Unduplicated Recipients <sup>46</sup>	Claims Expenditure (\$ Millions) <sup>47</sup>	Cost Per Recipient	
Pharmacy	88,947	\$80.0	\$899.7	62,454	\$68.7	\$1,100.7	22.4%
Physician	111,244	46.0	413.1	88,805	\$37.4	420.8	3.7%
Hospital Inpatient	85,854	25.3	295.2	1,293	\$12.5	9,644.2	-1.2%
Practitioner Non-physician	16,204	23.1	1,424.3	13,255	\$21.5	1,622.8	4.5%
Dental	27,441	15.5	566.3	69,221	\$24.6	356.0	188.9%
Hospital Emergency Dept.	1,480	15.4	10,432.4	14,350	\$8.8	612.5	130.3%
Durable Medical Equipment	22,750	10.7	470.3	4,987	\$5.0	1,010.6	318.2%
Optical	56,202	6.3	112.3	25,775	\$1.9	71.8	-76.5%
Clinic	7,697	6.1	791.2	13,954	\$5.8	416.4	9.5%
Health Check	16,433	4.3	260.5	54,133	\$6.1	113.1	329.3%
Lab & X-ray	27,625	1.9	67.7	26,916	\$3.8	141.9	354.7%
Ambulatory Surgery Center	161,016	1.9	11.5	754	\$0.5	636.6	-97.5%
Ambulance	18,260	1.8	99.7	1,430	\$0.2	167.8	-4.4%
Home Health	909	0.6	627.1	22	\$0.0	1,818.2	93.9%
Hospice	1,766	0.3	175.5	1	\$-	-	N/A
Other Services	32	0.0	937.5	131,399	\$19.0	144.3	45.2%
CAP <sup>42</sup> for Children	-	-	N/A	-	\$-	N/A	N/A
Buy-in/Dual Eligible	-	-	N/A	-	\$-	N/A	N/A
CAP for Disabled Adults	-	-	N/A	-	\$-	N/A	N/A
Non-emergency Medical Trans.	-	-	N/A	#N/A	\$-	N/A	N/A
PACE <sup>43</sup>	-	-	N/A	-	\$-	N/A	N/A
Personal Care	-	-	N/A	-	\$-	N/A	N/A
Skilled Nursing Facilities	-	-	N/A	-	\$-	N/A	N/A
Hospital Outpatient	-	-	N/A	25,403	\$13.3	523.2	16.1%
LME/MCO <sup>44</sup>	-	-	N/A	-	\$-	N/A	N/A
<b>Total NC Health Choice</b>	<b>168,072</b>	<b>\$239.2</b>	<b>\$1,472.9</b>	<b>136,536</b>	<b>\$229.2</b>	<b>\$1,678.5</b>	<b>12.1%</b>

<sup>40</sup> "Unduplicated recipients" means individuals are counted once to avoid multiple counts of a single person. Column total represents the number of unique individuals served across all service categories, not the total of individuals served within each category. Some individuals may enter and exit one or more service categories on multiple occasions throughout the state fiscal year depending on eligibility status.

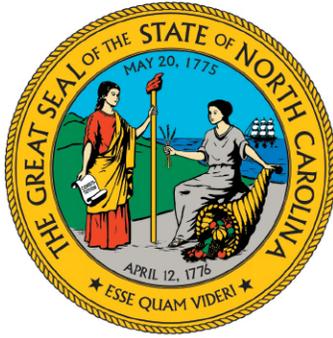
<sup>41</sup> Claims expenditure data are net of drug rebates.

<sup>42</sup> Community Alternatives Program

<sup>43</sup> Program of All-inclusive Care for the Elderly

<sup>44</sup> Local Management Entity/Managed Care Organization

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NORTH CAROLINA

# Medicaid and NC Health Choice

Annual Report for State Fiscal Year 2021  
July 1, 2020 - June 30, 2021

