

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1993

SENATE BILL 361

Government Performance Audit Select Committee Substitute Adopted 3/31/93

Short Title: GPAC/Statewide Managed Care.

(Public)

Sponsors:

Referred to: Appropriations.

February 24, 1993

1 A BILL TO BE ENTITLED
2 AN ACT TO IMPLEMENT A RECOMMENDATION OF THE GOVERNMENT
3 PERFORMANCE AUDIT COMMITTEE TO EVALUATE THE FEASIBILITY
4 OF STATEWIDE MANAGED CARE PROGRAMS AND TO EXPAND
5 MEDICAID CAROLINA ACCESS STATEWIDE AND INTRODUCE
6 ELEMENTS OF RISK-SHARING.

The General Assembly of North Carolina enacts:
Section 1. The General Assembly finds that managed care programs offer several advantages over traditional fee-for-service arrangements. The General Assembly also finds that its recently implemented Carolina Access program, modeled after successful primary care case management programs of other states and currently serving 12 counties, effectively improves access to primary care services, encourages development of physician/patient relationships, and encourages appropriate utilization of all health care services. The General Assembly finds that it is important to move quickly to phase in statewide implementation of the program so that it is available by July 1, 1994. The General Assembly further finds that the additional administrative costs incurred in early statewide implementation will be more than offset by savings and that improved quality of care will also contribute to long-term savings, that access for Medicaid patients will be significantly enhanced, and that physicians and patients statewide will be introduced to coordinated care concepts. The General Assembly further finds that the State should introduce risk-sharing into its Medicaid reimbursement system.

Sec. 2. The Division of Medical Assistance, Department of Human Resources, shall evaluate the feasibility of a statewide managed care system to contract with existing provider networks. This system shall address the following objectives:

- (1) Promote early diagnosis and treatment for preventive health care;
- (2) Shift care from hospitals to physicians' offices and clinics;
- (3) Stabilize and contain the escalation of Medicaid costs;
- (4) Enable clients to form primary care contact with physicians;
- (5) Ensure patient access to care; and
- (6) Improve the quality of care.

The study shall include consideration of whether facilities that serve as contractors for the system shall provide all health care services and shall receive a capitated payment per Medicaid patient per month. The Division shall also consider whether to limit the financial risk of the contractors by implementing a stop-loss provision in which each contractor's losses are limited to a fixed amount of aggregate capitation payments. The Division shall encourage Carolina Access providers to participate through their inclusion in provider networks.

Sec. 3. As a part of the study mandated in Section 2, the Division of Medical Assistance, Department of Human Resources, shall also evaluate the feasibility of statewide managed care programs for certain populations and certain regions of the State. This study shall include:

- (1) How best to ensure physician and hospital acceptance and involvement;
- (2) Consideration of the theory that the greater the financial risk borne by the managed care program and providers the greater the success in controlling utilization and cost;
- (3) Consideration of long-term care; and
- (4) How to ensure that the State and counties will make investments in establishing the appropriate administrative systems for internal operations and external oversight.

Sec. 4. The Division shall report the results of the feasibility study mandated by Sections 2 and 3 of this act to the General Assembly by May 1, 1994.

Sec. 5. There is appropriated from the General Fund to the Division of Medical Assistance, Department of Human Resources, the sum of one hundred thousand dollars (\$100,000) for the 1993-94 fiscal year to implement Sections 2 and 3 of this act.

Sec. 6. Effective July 1, 1994, the Division of Medical Assistance, Department of Human Resources, shall introduce elements of risk-sharing into its Medicaid reimbursement system. These elements shall include at least one of the following:

- (1) A savings-sharing policy, in which primary care providers share in the savings that result from appropriate and cost-effective utilization of other health services, including physician specialty services, prescription drugs, and outpatient hospital services;
- (2) The capitation of payments for physician services to guarantee certain savings levels and for outpatient hospital services and prescription drugs to guarantee even greater savings.

Sec. 7. Effective July 1, 1994, the Division of Medical Assistance, Department of Human Resources, shall have phased in Medicaid Carolina Access statewide.

Sec. 8. This act becomes effective July 1, 1993.