

## Managed Care, Medicaid, and 1915 Waivers

Medicaid allows states to utilize HMO-type managed-care models in the design of its Medicaid programs. States including NC have been approved to use 1915 (b) and/or 1915 (c) waiver to carve out services for people with developmental disabilities, mental health needs and addictive disease to create a pre-paid, shared risk, managed-care program to deliver home and community-based and or long-term care services. 1915 (b) waivers limit choice of provider, therefore placing limits on the number and type of providers and (c) waivers allow for long-term care services to be delivered in community settings under managed care. Other waivers allow for comprehensive demonstration projects to integrate care, or carve out specific populations to provide more comprehensive care models.

At the most basic, managed-care models use funding from state and federal sources, including funds that would be used for institutional and hospital care, and pool them together. With these pooled funds, the management entity is paid a per-member-per-month (PMPM) rate to deliver services and supports. The incentive is to keep people “well” and out of more expensive care because those funds are retained and can be used to expand available services. In North Carolina, the state still bears the financial risk for mismanagement of funds; if it runs over PMPM costs, it cannot get more funds from the federal government and must absorb the cost.

In North Carolina, the Local Management Entity (LME),\* a regional governmental authority, is the managed-care agent; there are a number of models for who manages, and other states may use private HMOs or government agencies to deliver managed care in Medicaid. The managing entity is allowed to limit the number and type of providers, and determine which services to provide and the rates to be paid. The Centers for Medicare and Medicaid Services must approve 1915 waivers and do require that managed-care systems assure some choice of providers for individuals, among other requirements.

North Carolina Department of Health and Human Services leaders and members of the General Assembly, who are ultimately responsible for Medicaid and MHDDSA services, see managed care as an optimal way to manage Medicaid funds and population health across all Medicaid services. Advocates for people with developmental disabilities continue to have concerns about large scale “reforms” intended to integrate physical, behavioral, and developmental health care under Medicaid. The state could use other options under Medicaid and the Affordable Care Act (health reform law) to offer long-term care services and support statewide. Advocates are concerned that the lack of expertise and the use of excessive cost controls in traditional managed care could seriously limit the scope of services and the number of people served, among other problems.

*\*See the Policy Paper on [Services and Supports, Medicaid, and the State Budget](#) for more info on LMEs.*