

March 31, 2014

Aldona Z. Wos, M.D.
Secretary
North Carolina Department of Health and Human Services
2501 Mail Service Center
Raleigh, NC 27699-2501

Dear Secretary Wos,

On March 21, 2014, the N.C. Department of Health and Human Services proposed multiple State Plan Amendments to implement Session Law 2013-360, Section 12H.18, entitled "Shared Savings Plan with Providers." Enclosed for your reference is one of those proposed SPAs.

The undersigned organizations wish to communicate their collective disagreement with the Department's proposed SPAs, which if approved, would cut Medicaid provider payment rates by 3% effective January 1, 2014.

The Department's decision to modify payment rates departs significantly from the explicit instructions that it has received from the General Assembly. The Department's cover memo attempts to justify the cut as necessary because of "Section 12H.18 which requires that rates will be adjusted as such that they will equal 97% of the rate in effect July 1, 2013." However, nowhere in Section 12H.18 does the General Assembly direct or authorize the Department to change the rates it pays to physicians or any other Medicaid providers.

In reality, the referenced budget provision specifically directs the Department to develop a shared savings plan and to *withhold* 3% from the amounts it currently pays to Medicaid providers. Sec. 12H.18(b). The General Assembly then further instructs that, starting in 2015:

Payments under the shared savings plan shall be paid *from funds withheld* under subsection (b) of this section, and payments to members of a particular provider group *shall come from the funds withheld* from that group.

Sec. 12H.18(a) (emphasis added).

The provision is clear: the Department must continue payments to providers for services provided to Medicaid recipients, must reserve 3% from those payments, and establish a system whereby providers can seek to earn back some or all of the withheld funds. We do not believe the proposed SPAs implement these requirements correctly, and we do not believe the Department has the proper authority to modify payments rates as it has proposed in these documents.

Therefore, we request that the Department retract the proposed SPAs, make appropriate revisions that more closely reflect the General Assembly's intent, and provide an additional opportunity for public review before submitting the SPAs for CMS review and approval.

Respectfully,

North Carolina Medical Society
North Carolina Medical Group Managers
North Carolina Academy of Family Physicians
North Carolina Pediatric Society
North Carolina Society of Anesthesiologists
North Carolina Oncology Association
North Carolina Radiological Society
North Carolina Obstetrical and Gynecological Society
North Carolina Spine Society
North Carolina Psychiatric Association
North Carolina Chapter of the American College of Physicians
North Carolina College of Emergency Physicians
Carolinas Chapter of American Association of Clinical Endocrinologists
North Carolina Society of Eye Physicians and Surgeons
North Carolina Society of Gastroenterology
North Carolina Dermatology Association
Wake County Medical Society
Western Carolina Medical Society
Mecklenburg County Medical Society
Forsyth-Stokes-Davie County Medical Society
New Hanover-Pender County Medical Society

Copy: Sandy Terrell, Acting Director, Division of Medical Assistance

Enclosures: Transmittal # 2014-012 (S. Terrell Memorandum/Payment for Medical and Remedial Care and Services)