

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2015**

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**SENATE BILL 371**

Short Title: LME/MCO Claims Reporting. (Public)

Sponsors: Senators Hartsell (Primary Sponsor); and B. Jackson.

Referred to: Rules and Operations of the Senate.

March 24, 2015

A BILL TO BE ENTITLED

AN ACT TO MODERNIZE DATA COLLECTION BY THE DEPARTMENT OF HEALTH  
AND HUMAN SERVICES RELATED TO LME/MCO MANAGED CARE CLAIMS.

Whereas, the Department of Health and Human Services (DHHS) contracts with local management entities/managed care organizations (LME/MCOs) for the management of services for mental health, intellectual and developmental disabilities, and substance abuse disorders; and

Whereas, LME/MCOs are paid to manage Medicaid services on a capitated basis and are at full financial risk for the cost of services delivered through a network of contracted service providers; and

Whereas, LME/MCOs operate pursuant to federal Medicaid managed care rules and have the authority to set rates and utilization rules that are different than fee-for-services payment models; and

Whereas, LME/MCOs also manage State and federal block grant funds under contracts with DHHS; and

Whereas, DHHS requires LME/MCOs to report records of claims payments to providers (encounter data) through NCTracks for both Medicaid and State-funded services; and

Whereas, the submission of managed care encounter data through NCTracks results in claims already paid by LME/MCOs to then be re-adjudicated pursuant to rules that are unknown to LME/MCOs, which results in the inability of the LME/MCOs to successfully resolve encounter data submitted and denied by NCTracks; and

Whereas, each LME/MCO has an annual quality review by DHHS, an annual compliance audit by an independent auditor, and two DHHS audits conducted pursuant to S.L. 2013-85 to evaluate the LME/MCO claims processing function for accuracy and completeness; and

Whereas, the results of each LME/MCO's numerous audits are utilized to evaluate quality, ensure operational competence and contract compliance, and verify that all federal Medicaid managed care requirements are met; and

Whereas, DHHS has multiple responsibilities to the Centers for Medicare and Medicaid Services (CMS), to federal authorities for block grants, and to the General Assembly for the proper and accountable expenditure of funds managed by the LME/MCOs in accordance with State and federal requirements, and for the review and audit of encounter data is necessary for the implementation of these responsibilities; Now, therefore, The General Assembly of North Carolina enacts:

**SECTION 1.** The encounter data submission requirements for local management entities/managed care organizations (LME/MCOs) shall be as follows:



- 1           (1) LME/MCOs shall submit to the Department of Health and Human Services  
2           (DHHS) encounter data, consisting of records of claims payments made to  
3           providers, for Medicaid and State-funded mental health, intellectual and  
4           developmental disabilities, and substance abuse disorder services using a  
5           single nationally recognized, standardized electronic format, which shall be  
6           specified to the LME/MCOs in advance to assure compliance with the  
7           format of encounter data submitted to the Department.
- 8           (2) The Department may use encounter data for purposes including, but not  
9           limited to, setting LME/MCO capitation rates, measuring the quality of  
10          services managed by LME/MCOs, and assuring compliance with State and  
11          federal regulations, and for oversight and audit functions.
- 12          (3) LME/MCOs shall not be required to resubmit encounter data rejected by  
13          NCTracks or other receiving system except those rejected for  
14          noncompliance with the standardized electronic format authorized under  
15          subdivision (1) of this section.

16          **SECTION 2.** This act is effective when it becomes law.