

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2015

FILED SENATE  
Mar 23, 2015  
S.B. 371  
PRINCIPAL CLERK

S

D

SENATE DRS35136-TR-16 (03/12)

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

Sponsors: Senator Hartsell (Primary Sponsor).

Referred to:

1 A BILL TO BE ENTITLED  
2 AN ACT TO MODERNIZE DATA COLLECTION BY THE DEPARTMENT OF HEALTH  
3 AND HUMAN SERVICES RELATED TO LME/MCO MANAGED CARE CLAIMS.

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

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

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

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

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

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

22 Whereas, each LME/MCO has an annual quality review by DHHS, an annual  
23 compliance audit by an independent auditor, and two DHHS audits conducted pursuant to S.L.  
24 2013-85 to evaluate the LME/MCO claims processing function for accuracy and completeness;  
25 and

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

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

35 **SECTION 1.** The encounter data submission requirements for local management  
36 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.