DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop: S2-25-26
Baltimore, Maryland 21244-1850

State Demonstrations Group

September 28, 2023

Jay Ludlam
Deputy Secretary for North Carolina Medicaid
North Carolina Department of Health and Human Services
2001 Mail Service Center
Raleigh, NC 27699-2001

Dear Deputy Secretary Ludlam:

The Centers for Medicare & Medicaid Services (CMS) is approving an update to Attachment H: Healthy Opportunities Pilot (HOP) Funding Mechanics, Pathways to Value Based Payment (VBP), and Program Integrity Protocol for North Carolina's section 1115(a) demonstration titled, "North Carolina Medicaid Reform Demonstration" (Project Numbers 11-W-00313/4 and 21-W-00070/4). A copy of Attachment H is enclosed and will be incorporated in the special terms and conditions (STC). This attachment will remain in effect throughout the demonstration approval period, which is set to expire October 31, 2024.

The North Carolina Medicaid Reform Demonstration authorizes the HOP which provide evidence-based interventions addressing housing instability, transportation insecurity, food insecurity and interpersonal safety and toxic stress for Medicaid beneficiaries who meet specified needs-based criteria. As part of the HOP, the state must establish an incentive payment program to incorporate VBPs to incentivize the delivery of high-quality care by increasingly linking payments to pilot entities to health and socioeconomic outcomes based on the pilot services provided. The pathway to VBP outlined in Attachment H was updated to reflect the incentive payments, withholds, and quality measures that will be used for VBP Period 3.

If you have any questions, please contact your project officer, Ms. Shelby Higgins. Ms. Higgins can be reached at (443) 926-6513, or by email at Shelby.Higgins@cms.hhs.gov. We look forward to our continued collaboration on the North Carolina section 1115 demonstration.

Sincerely,

Angela D. Garner -S

Digitally signed by Angela D. Garner -S
Date: 2023.09.28 08:46:18 -04'00'

Angela D. Garner
Director
Division of System Reform Demonstrations

Enclosure

cc: Morlan Lannaman, State Monitoring Lead, Medicaid and CHIP Operations Group

Attachment H
Healthy Opportunities Pilot
Funding Mechanics, Pathways to Value Based Payment, and Program Integrity Protocol

In accordance with North Carolina's Section 1115 Demonstration Waiver and Special Terms and Conditions (STCs 21P.i to 21P.ix.), this protocol outlines key features of Pilot funding mechanics and approach to monitoring and program integrity as required by STC 21P.vii. North Carolina has been authorized for up to $650M in expenditure authority to establish the Healthy Opportunities Pilots in two to four regions of the state. This protocol outlines 1) Pilot Funding Flow and 2) Healthy Opportunities Pilot Program Integrity.

1. Pilot Funding Flow. The state must distribute funding for authorized Pilot services and capacity building. The approach to Pilot funds flow is described below.

a. ***Pilot Service Delivery Allocation***. The state distributes a capped allocation of funding to each HOP Administrator[45] based on a state-developed methodology which considers regional Medicaid/CHIP enrollment to support the delivery of authorized Pilot services to the HOP Administrator's beneficiaries who are eligible for the Pilot services, inclusive of an administrative fee to support the HOP Administrators' and their contracted care managers' Pilot-related operational responsibilities. The majority of the cumulative service payment must be used to pay for the delivery of Pilot services. HOP Administrators must only use the allocation for the Pilot specified purposes and must return all unused Pilot funds to the state.
   i. The HOP Administrator, in collaboration with the Network Lead (NL)[46] tracks and reports the services provided to beneficiaries, ensuring accountability for service delivery and payment, and tracking against its fixed allocation of Pilot funding. To pay for delivered services, HOP Administrators receive Pilot service invoices[47] and distribute funds to Human Services Organizations (HSOs) for the delivery of authorized Pilot services.
   ii. The state conducts periodic audits of payments to verify accurate reporting and spending.
   iii. The state conducts quarterly reviews of HOP Administrator spending against capped funds.
   iv. FFP will be based on the aggregated amounts actually paid by the state to HSOs, NLs, and HOP Administrators for authorized Pilot purposes, as defined in the Pilot STCs.
b. ***Service Reimbursement Methods.*** The state developed a Pilot service fee schedule and submitted to CMS for approval on August 30, 2019. It was approved in November 2019 and updated in February 2023. The fee schedule provides service definitions and reimbursement rates for each Pilot service. Pilot services are reimbursed through the following payment methods, at a minimum: fee-for-service, cost-based reimbursement and per member per month (PMPM) payments.
   i. Fee for Service (FFS). Some Pilot services are paid on an FFS basis (e.g., targeted

[45] HOP Administrator is defined as any managed care entity providing HOP services during the course of the demonstration.
[46] Previously referred to as the "Lead Pilot Entity" or "LPE."
[47] North Carolina intends to shift Pilot "invoices" to "claims" during the course of the Demonstration.

nutritious food or meal delivery services for individuals with medical or medically related special dietary needs).

ii. Cost-Based Reimbursement Up to a Capped Amount. Some Pilot services are paid based on the actual billed cost of the service up to a state-defined cap (e.g., cost of public transportation that enables a beneficiary to access Pilot services, expenses related to utility set-up and security deposit).

iii. PMPM Payments. Some bundles of Pilot services are paid for via an assigned PMPM payment rate (e.g., housing navigation, support and sustaining case management services). The PMPM rate reflects the intensity and type of included activities, based on evidence-based averages, but allows for setting and frequency of specific activities to vary based on the beneficiaries' circumstances and local resources. PMPM payments must not include additional fee for service amounts and must be accepted as payment in full.

c. ***Capacity Building.*** The state must provide funding to the Network Leads (NLs)[48] to build their capacity to participate in the Pilot. Capacity building for the Pilot will be considered an administrative cost and must be capped at $100 million. Unspent capacity building funding must be used for authorized Pilot program purposes only.

i. The NL may use this capacity building funding only to:

a. Through collaboration with stakeholders (HOP Administrators, social services agencies, Community Based Organizations), develop necessary infrastructure/systems to prepare HSOs to deliver authorized services, receive payment, report information for managing patient care, track progress in Pilot implementation, collect all applicable data to support monitoring beneficiary take-up and health and quality of care outcomes, and ensuring program integrity, including distributing capacity building funding to contracted HSOs to help them execute preparation for Pilot participation.

b. Providing technical assistance and collaboration with stakeholders.

ii. NLs will be eligible for capacity building funding not to exceed $100M over the course of the demonstration. NLs will distribute a portion of the capacity building dollars to eligible HSOs.

iii. Each NL receives an annual administrative payment from the Department. Capacity building funding is time-limited and covers start-up costs, while administrative payments support ongoing costs associated with Pilot-related operational responsibilities.

d. ***Pathway to Value-Based Payment***. The state must establish an incentive payment program to incorporate value-based payments (VBP) to incentivize the delivery of high-quality services to Pilot enrollees. North Carolina intends to advance the VBP program annually, evolving the use of measurement milestones each year and introducing withholds in addition to incentive payments in the later years of the Pilots. Due to North Carolina's delay implementing the managed care and Healthy Opportunities Pilot components of the demonstration, this protocol is applicable only for the time period from June 1, 2021 through October 31, 2024. The VBP Program for HOP administrators is

[48] Previously referred to as the "Lead Pilot Entity" or "LPE."

currently only available to PHPs[49]. Should North Carolina open the program to the additional managed care entities that serve as HOP Administrators, the state must update the protocol and submit to CMS for review and approval 60 days prior to desired implementation. The funding for the VBP program must be a subset of the $650 million authorized for the Healthy Opportunities Pilot program. Funding available for VBP is a small portion of non-capacity building Pilot funds. The state is allocating up to $10 million across three periods for the VBP program. Actual payment amounts will depend on Pilot entities meeting the specific performance metrics and targets as determined by North Carolina and as described below. Unearned VBP incentive funds will be made available for service delivery funding. North Carolina intends to design the VBP program as follows:

i. **Year-by Year Pilot VBP Program Approach**: VBP payments to participating entities will be linked to meeting performance targets on defined metrics that are commensurate with the pilot launch and implementation stages, as well as entities' operational ability to identify, engage, enroll and deliver high-quality services to meet members' needs and improve health outcomes. The performance targets tied to the VBP payments that participating entities are eligible to receive will evolve and increase over the course of the three VBP periods.
    a. The state defines "VBP periods" to align with Pilot and Medicaid managed care service delivery years to the greatest extent possible, which are distinct from demonstration years, as defined below.
    b. North Carolina intends for the Pilot VBP Program to evolve over the course of the demonstration as follows:

VBP Period 1 (June 1, 2021 to June 30, 2022): VBP Period 1 covers 13 months of implementation where Standard Plans and NLs will build capacity and ensure operational readiness to launch the Pilots. It also covers the first four months of service delivery, during which time the majority of Pilot services will launch and Pilot entities will begin enrolling and delivering Pilot services for the first time. Activities tracked toward completion and/or meeting milestones during VBP Period 1 include adapting processes to ensure all aspects of the program are operational, establishing an HSO network, providing training to providers and care management staff, and establishing payment and data and metrics reporting processes.

In VBP Period 1, Standard Plans and NLs are eligible for incentive payments. Incentive payments for Standard Plans must reflect their key role in standing up and implementing the pilots. The state must require that incentive payments for NLs are only made if the NL meets key metrics and timelines established through the contracting process related to establishing provider networks, payment and reporting systems, and training. The state describes the performance metrics and targets for this Period in **Table 1** below. Once a milestone is met, Standard Plans and NLs submit an invoice

[49] North Carolina's PHPs are MCOs as defined under 42 CFR 438.2. The following PHPs are offered in North Carolina: Standard Plans, Behavioral Health Intellectual/Developmental Disability Tailored Plans and the Children and Families Specialty Plan.

to the state for payment associated with meeting that milestone. The state will split available funds for VBP Period 1 approximately 60/40 between Standard Plans and NLs (respectively) for their corresponding milestones. There are no partial payments for each milestone. The state will report on incentive payments paid out in the Quarterly and Annual Monitoring Reports following distribution of payments.

Table 1: VBP Period 1 Milestones			
Standard Plans			
#	**Milestone**	**Milestone Deadline**	**% Weight**
1	Execute contracts with all Network Leads that are operating in a PHP's region	11/22/2021	30%
2	Successful completion of Division of Health Benefits (DHB) Readiness Review to implement the Pilots	5/13/2022	35%
3	Meet DHB Pilot-related systems integration and end-to-end testing standards related to Pilot eligibility, service authorization, referral, invoice and payment	3/14/2022	35%
Network Leads			
#	**Milestone**	**Milestone Deadline**	**% Weight**
1	Establish an HSO capacity building payment distribution approach	30 days after Network Lead's receipt of the Department's Network Lead-HSO model contract	14.3%
2	Establish reporting processes for contracted HSOs to adhere to	90 days after contract execution	14.3%
3	Disburse first capacity building funds to HSOs	30 days after the Department has approved an individual HSO's capacity building request.	14.3%
4	Receive DHHS approval on HSO Network Report	HSO Network Report must be submitted within 60 days of the Department's approval of	21.4%

		the Network Lead's HSO Network Application and HSO Assessment Process with subsequent Department approval.	
5	Complete implementation year training, technical assistance, and engagement as outlined in the Network Lead's Pilot entity engagement, training, and technical assistance Plan	The day before Pilot service delivery launch	14.3%
6	Pass DHB readiness evaluation, including that the Network Lead's HSO network is prepared to deliver services	**The day before Pilot service delivery launch**	**21.4%**

VBP Period 2 (July 1, 2022 to June 30, 2023): VBP Period 2 represents 12 months of Pilot service delivery. During VBP Period 2, the state will advance VBP from distributing incentive payments for meeting implementation milestones to distributing incentive payments for meeting or exceeding pre- established targets on performance metrics. PHPs, specifically Standard Plans, and NLs in collaboration with their contracted care management entities and HSOs, respectively, will be eligible for incentive payments.

In addition, the Behavioral Health and Intellectual/Developmental Disabilities Tailored Plans (henceforth referred to as Tailored Plans or TPs) will launch their Pilot service delivery after the Standard Plans. As such, Tailored Plans will start participation in the Pilot VBP program during VBP Period 2. During this timeframe, TPs will be working on standing up the necessary infrastructure to participate in the Pilot program. For this reason, the TPs will be eligible to earn the same Pilot implementation-related milestones during VBP Period 2 as Standard Plans were eligible to receive during VBP Period 1, as outlined in **Table 2** (e.g., between July 1, 2022 and June 30, 2023, TPs will be eligible to receive incentive payments for the successful completion of a DHB readiness review).

In VBP Period 2, Standard Plans and NLs will be eligible for incentive payments for meeting or exceeding Pilot performance standards related to: (a) enrollment and/or service delivery performance measures and (b) operational performance and financial management measures. The state describes the performance metrics for this Period in **Table 3**. Distribution of incentive payments is contingent upon all Pilot entities across all Pilot regions collectively meeting a minimum overall Pilot enrollment of 8,100 by March 31st, 2023. In the event that this Pilot enrollment threshold is not met, the state has discretion to pause or withhold distribution of VBP payments for all measured to any and all Pilot entities. The state will distribute funds evenly between Standard Plans and NLs. The state will pay Standard Plans and Network Leads for each milestone that is met by the listed measurement period according to a payment schedule, as determined by the state. If earned, Standard Plans and NLs are contractually required to share a percentage of their earned payments with their contracted care management entities and HSOs, respectively, reflective of the level of effort contributed by each Pilot entity in

achieving the milestones, as determined by the state. Once a milestone is met, Standard Plans and NLs submit an invoice to the state for payment associated with meeting that milestone. There will be no partial payments. Earned incentive payments will be distributed after the conclusion of VBP Period 2. If one or more Pilot entities fail to meet milestone(s) and earn payment, the unearned funds will be available for Pilot service delivery. The state will report on incentive payments paid out in the Quarterly and Annual Monitoring Reports following distribution of payments.

Table 2: VBP Period 2 Milestones for Tailored Plans			
#	**Milestone**	**Milestone Deadline**	**% Weight**
1	Execute contracts with all Network Leads that are operating in a Tailored Plan's region	12/1/2022	30%
2	Successful completion of Division of Health Benefits (DHB) Readiness Review to implement the Pilots	3/31/2023	35%
3	Meet DHB Pilot-related systems integration related to Pilot eligibility, service authorization, referral, invoice, and payment	3/31/2023	35%

Table 3: VBP Period 2 Milestones			
Standard Plans and Local Care Management Entities			
#	**Milestone**	**Measurement Period**	**% Weight**
Pilot Enrollment and Service Delivery Performance Measure			
1	Meet or exceed a Pilot enrollment target, as set by the Department for each Standard Plan	6/30/2023	75%

Operational Performance and Financial Management Measure			
2	75% of HSO invoices are reviewed and paid within 45 calendar days of Standard Plan receipt.	6/30/2023	25%
Network Leads and HSOs			
#	**Milestone**	**Measurement Period**	**% Weight**
Pilot Enrollment and Service Delivery Performance Measure			
1	Meet or exceed delivery of a defined number of total Pilot services, as set by the Department for each Network Lead	6/30/2023	75%
Operational Performance and Financial Management Measure			
2	75% of HSO invoices are submitted to Standard Plans within 45 calendar days of Pilot service completion.	6/30/2023	15%
3	Demonstrate commitment to the long-term sustainability of Network Leads and HSOs in the healthcare delivery system by developing a plan that demonstrates the ways in which the Network Lead intends to have a meaningful role in its community and the health care system beyond the length of the Pilots. VBP in future years may be tied to successfully implementing these plans.	12/31/2022	10%

VBP Period 3 (July 1, 2023 to October 31, 2024): VBP Period 3 represents 16 months of Pilot service delivery. The measurement period for VBP Period 3 will begin between 30 to 90 days after approval of this document by CMS to allow the state to share final VBP Period 3 design with Pilot entities before the start of the measurement period. The state will evaluate Pilot-participating entities' performance on VBP measures through October 31, 2024. The state engaged Pilot-participating entities in the development of VBP Period 3 performance targets to foster a collaborative design process and to socialize VBP Period 3 design with key entities prior to implementation. Pilot-participating entities provided key insights that helped determine appropriate performance targets that advance the goals of the Pilot program. The state will advance the Pilot pathway to value through:

1. Incentive Payments: The state will continue to distribute incentive payments to eligible Pilot-participating entities for meeting pre-established targets on performance measures. The state is allocating $1.5 million for VBP Period 3 incentive payments.

2. Withholds: The state will establish 1% withholds for exceeding resource outcome benchmarks associated with addressing Pilot enrollees' unmet resource needs.
3. Quality Measures: The state will collect data on specific quality measures that will be used to generate baseline performance data.

Incentive Payments

In VBP Period 3, the state will link incentive payments to performance targets that align with and further the state's overarching priorities for the Pilot program based on Pilot learnings and implementation to date. These priorities are:

1. Promoting Pilot enrollment;
2. Expanding referrals and delivery of Pilot services to underutilized Pilot domains;
3. Promoting Pilot programmatic sustainability; and
4. Supporting overall Pilot evaluation.

The following entities will be eligible to receive incentive payments for meeting the pre-established targets on performance metrics as specified below.

Standard Plans and Local Care Management Entities

Standard Plans and their contracted local care management entities will remain eligible for incentive payments in VBP Period 3. During VBP Period 3, Local Health Departments, a new local care management entity for the Pilot, will also be eligible for incentive payments. Incentive payments will be tied to meeting or exceeding Pilot performance targets related to Pilot enrollment, referrals to Pilot services outside of the food domain and Pilot enrollee reassessments. The state will allocate 40% of the total available funds for VBP Period 3 incentive payments to Standard Plans and their contracted local care management entities. Standard Plans will earn an incentive payment for each milestone that is met by October 31,2024. The State will distribute earned incentive payments after October 31,2024. If earned, Standard Plans are contractually required to share a percentage of their earned payments to their contracted care management entities evenly or based on a distribution plan defined by the Standard Plan and approved by the state. The state defines these performance metrics for Standard Plans and Local Care Management Entities in **Table 1**.

Table 1: VBP Period 3 Incentive Payment Milestones

Standard Plans and Local Care Management Entities

#	Milestone	Measurement Period*	% Weight
1	Meet or exceed a total Pilot enrollment target for the measurement period, as set by the Department for each Standard Plan for at least 3 months (months do not have to be consecutive) during VBP Period 3^	No later than 90 days after final CMS approval of this protocol update – 10/31/2024	40%
2	20% increase in service referrals generated and sent within non-food domains from a baseline period of 7/1/2022 – 6/30/2023	No later than 90 days after final CMS approval of this protocol update – 10/31/2024	25%
3	90% of Pilot enrollees are re-assessed for their ongoing Pilot eligibility and service needs within 6 months of Pilot enrollment	No later than 90 days after final CMS approval of this protocol update – 10/31/2024	35%

* The measurement period for VBP Period 3 will begin between 30 to 90 days after approval of this document by CMS.
^After 60 days following the conclusion of VBP Period 3, the state must submit month by month enrollment targets and actual enrollment numbers for each HOP entity (HOP Administrators, NLs, and HSOs), to CMS.

Network Leads and Human Service Organizations

Network Leads and their contracted Human Service Organizations (HSOs) will remain eligible for incentive

payments in VBP Period 3. Incentive payments will be tied to meeting or exceeding Pilot performance targets related to Pilot enrollment, delivery of Pilot services, and Pilot sustainability. The state will allocate 60% of the total available funds for VBP Period 3 to Network Leads and their contracted HSOs. Network Leads will earn an incentive payment for each milestone that is met by October 31, 2024. The state will distribute earned incentive payments after October 31, 2024. If earned, Network Leads are contractually required to share a percentage of their earned payments with their contracted network HSOs evenly or based on a distribution plan defined by Network Leads and approved by the state. The state defines these performance metrics for Network Leads and HSOs in **Table 2.**

Table 2: VBP Period 3 Incentive Payment Milestones

Network Leads and HSOs

#	Milestone	Measurement Period*	% Weight
1	Meet or exceed a total Pilot enrollment target for the performance period, as set by the Department for each Network Lead for at least 3 months (months do not have to be consecutive) during VBP Period 3^	No later than 90 days after final CMS approval of this protocol update – 10/31/2024	40%
2	Percentage of accepted referrals that result in a service delivery is 95% or higher OR the total of accepted referrals improved by 10% points in the region from a baseline period of 7/1/2022 – 6/30/2023	No later than 90 days after final CMS approval of this protocol update – 10/31/2024	40%
3	Meet NL sustainability plan benchmarks as outlined in each NL's state-approved plan	No later than 90 days after final CMS approval of this protocol update – 10/31/2024	20%

* The measurement period for VBP Period 3 will begin between 30 to 90 days after approval of this document by CMS.
^After 60 days following the conclusion of VBP Period 3, the state must submit month by month enrollment targets and actual enrollment numbers for each HOP entity (HOP Administrators, NLs, and HSOs), to CMS.

Payment of Incentive Payments for Eligible Pilot-Participating Entities

Once a milestone is met, Standard Plans and Network Leads will submit an invoice to the state for payment associated with meeting that milestone. Earned incentive payments will be distributed after the conclusion of the VBP Period 3 measurement period (i.e., after October 31, 2024). If a Pilot entity fails to meet milestone(s), they will not receive an incentive payment tied to that specific milestone(s). Unearned VBP Period 3 funds will be made available for Pilot service delivery. The State will report on incentive payments paid out in the Quarterly and Annual Monitoring Reports, as required by CMS.

Withholds

In addition to incentive payments, the state will apply withholds to Standard Plans and local care management entities for exceeding resource outcome benchmarks by meeting minimum measures related to the percentage of Pilot enrollees that received a service to address an unmet resource need. The state will measure this by setting a baseline measurement of the percentage of the Pilot enrollees with an unmet resource need that have received at least one Pilot service for the period of July 1, 2022 – June 30, 2023 and comparing that to the percentage of Pilot enrollees with an unmet resource need that received a Pilot service during the VBP Period 3 measurement period (TBD – October 31, 2024). The state will withhold 1% of Standard Plan administrative payments and 1% of Pilot care management payments tied to this measure. If the overall percentage of Pilot enrollees that received a service to address an unmet resource need shows an improvement of at least 5% through the measurement period (TBD – October 31, 2024), the state will pay out the amount withheld to Standard Plans and local care management entities.

Baseline Healthcare Quality Measure Data Collection

As part of VBP Period 3, the state will collect quality measures to generate baseline data on select healthcare quality measures for the Pilot regions. Selected quality measures include those that the state is currently collecting as part of the broader managed care program. Selected measures align with Pilot eligibility criteria and may be impacted by the Pilot program. The state defines these measures in **Table 3.** Baseline data for all measures will be collected for the 2022 calendar year due to the annual collection of these data measures (e.g., Healthcare Effectiveness Data and Information Set [HEDIS]). The state will continue to collect data on these measures annually. The state will share baseline findings with all Pilot entities and with CMS prior to the end of the VBP Period 3.

Table 3: Quality Measures

#	Measure	Baseline Period of Performance	Data Source
1	Child and Adolescent Well-Care Visits: The percentage of Pilot enrollees 3–21 years of age who had at least one comprehensive well-care visit with a primary care provider (PCP) or an obstetrician/gynecologist (OB/GYN) practitioner during the measurement year.	No later than 90 days after final CMS approval of this protocol update – 12/31/2022	NCQA
2	Asthma Medication Ratio Ages 5 to 18 years: The percentage of Pilot enrollees 5–18 years of age who were identified as having persistent asthma and had a ratio of controller medications to total asthma medications of 0.50 or greater during the measurement year.	No later than 90 days after final CMS approval of this protocol update – 12/31/2022	NCQA
3	Rate of Screening for Unmet Resource Needs: The percentage of enrollees who received a screening for unmet health-related resource needs. Two rates are reported: • Successful screening within 90 days of enrollment • Successful screening within the calendar year	No later than 90 days after final CMS approval of this protocol update – 12/31/2022	Quarterly report submitted by Standard Plans
4	Ambulatory Care: Emergency Department Visits: Rate of emergency department (ED) visits per 1,000 beneficiary months among Pilot members.	No later than 90 days after final CMS approval of this protocol update – 12/31/2022	NCQA

2. Healthy Opportunities Pilot Program Integrity. North Carolina will monitor and enforce program integrity standards in the Pilot program, across all aspects of the program. In particular, the state will maintain program integrity standards in the Pilot program through the following mechanisms:

e. **Accounting on delivered Pilot services**

i. Invoices[50] must be transmitted in accordance with all federal and state privacy and security requirements. Invoices must include the following standardized information[51]:

1. Beneficiary name and Medicaid/CHIP identification number
2. Provider organization (HSO) name
3. Name of service(s) rendered
4. Date(s) and/or duration of service(s) delivered
5. Number of unit(s) of service(s) delivered, if applicable
6. Cost of service(s) delivered

ii. NL Role. To develop and manage the HSO network, the NL must use an infrastructure allowing:

1. HSOs to submit invoices for delivering authorized Pilot services.
2. The NL to submit invoices to the HOP Administrators for reimbursement.
3. The NL to track payment status to HSOs.

i. HOP Administrator Role. HOP Administrators are responsible for paying HSOs for the delivery of Pilot services. HOP Administrators are required to review the invoices submitted by the NL to ensure they contain all of the required elements and that they are for authorized services prior to paying the invoices. HOP Administrators will be required to submit the following information at a minimum annually to the state:

1. Number of Pilot enrollees who have received a Pilot service
2. Number of invoices submitted to the HOP Administrator
3. Number and type of Pilot services delivered
4. Number of HSOs that delivered Pilot services
5. Total costs expended in relation to HOP Administrator's capped allocation

f. **Audit Process.** The HOP Administrator and Network Lead are required to ensure Medicaid payments are made for services covered under this Pilot program that were provided and properly billed and documented by the HSOs through the following processes:

i. Invoice Analysis. HOP Administrators and NLs are required to analyze invoices submitted by the HSOs to: (1) ensure that they accurately and appropriately represent the delivery of authorized services, and (2) identify irregularities, discrepancies, or outliers requiring further investigation. NLs are required to work with HOP Administrators and HSOs to resolve identified issues.

[50] North Carolina intends to shift Pilot "invoices" to "claims" during the course of the Demonstration.

[51] North Carolina may make adjustments to information required in invoices to ensure compliance with federal or other requirements to preserve member privacy and confidentiality in the context of interpersonal violence related services.

ii. Visit Verification Procedures. In accordance with the state's Medicaid program integrity requirements, NLs are required to regularly validate that services delivered through the Pilots were appropriately rendered and properly billed and documented by HSOs through conducting visit verification procedures on a random sample of claims/invoices. Verification procedures may include:

1. Outreach to beneficiaries to confirm receipt of services
2. Outreach to providers to require documentation of provided services.

As part of the state's overarching oversight strategy, the state will develop a methodology for reviewing and monitoring the NL's visit verification policies including reviewing their procedures related to sample sizes and targeted provider types, and sample visit verification cases.

g. **Ensuring action is taken to address identified non-compliance**

i. Recoupment of Overpayments. Under the state's Medicaid program integrity requirement, the state must require the HOP Administrators and NLs to monitor payments and identify issues of overpayment. HOP Administrators and NLs must regularly monitor their payments to HSOs to identify potential overpayments. If an overpayment is discovered, the HOP Administrator or NL must calculate the overpayment amount and the HSO must return the overpayment within 180 days of notification.

ii. Suspension, Withhold, Sanctions and Termination Activities due to Findings of Fraud or Abuse. In accordance with the state's Medicaid program integrity requirements:

1. The state reserves the right to direct a HOP Administrator or NL to impose a payment suspension or withhold on any provider, including HSOs and NLs, due to potential or actual instances of fraudulent behavior.
2. The state, HOP Administrators and NLs will have the right to terminate an HSO or provider for reasons related to substantiated fraudulent behavior.
3. The state will have the right to impose other sanctions or intermediate sanctions on, or require a corrective action plan from a HOP Administrator or its contracted care management entities, NL, or HSO.
4. NLs must submit a written report to the Department immediately if it suspects that an HSO may have engaged in fraud, waste and/or abuse and the names of HSOs that have had Pilot service payments suspended or withheld or had their contract terminated. Additionally, NLs must report at a minimum annually to the state on all HSO terminations or non-renewals including those that are due to fraudulent behavior or were initiated by the NL, a HOP Administrator or the state. HOP Administrators must notify the Department within five business days if it

suspects Pilot-related fraud, waste and/or abuse.

iii. Auditing compliance. The state has the discretion to audit HOP Administrators and NLs to ensure their compliance with the Pilot program requirements and take action to address any identified non- compliance.