

Congress of the United States
Washington, DC 20515

July 15, 2016

Mr. Andy Slavitt
Acting Administrator
Centers for Medicare and Medicaid Services
200 Independence Avenue, S.W.
Washington, DC 20201

Dear Acting Administrator Slavitt:

As members of the North Carolina congressional delegation, we are writing in strong opposition to the Section 1115 Demonstration waiver request submitted by the State of North Carolina to the Centers for Medicare and Medicaid Services (CMS) on June 1, 2016.

North Carolina has a long history of pioneering Medicaid delivery programs. Its current model, a public-private partnership between the state and fourteen physician-led non-profit networks, has been nationally recognized as one of the most innovative cost-effective Medicaid programs in the country. By involving physicians directly in the coordination of patient care at the community level, Community Care of North Carolina (CCNC) has improved health outcomes for beneficiaries and controlled costs even as Medicaid enrollment has risen. As a result of this award-winning model, North Carolina has the lowest Medicaid spending growth rate in the nation, and more than 90 percent of the state's physicians participate in the program.

Instead of building on the strengths of this successful program, the State's waiver request would replace CCNC with a complex and unproven model that could disrupt established provider networks, diminish access to care, and degrade health outcomes for North Carolina's Medicaid population. Instead of a single payer and a single team of care coordinators, providers would have to deal with multiple payers and care networks in a convoluted system of regional provider networks and private managed care organizations (MCOs). While many states have adopted capitated payment models as a way of managing costs and incentivizing coordination, several states that have allowed MCOs to participate have experienced cost overruns and declines in provider participation. If the goal of a capitated payment system is to incentivize better coordination of care and cost savings, such a system could be implemented through the existing CCNC network without the disruption of care or potential risks of privatization.

Moreover, in contrast to other states that have obtained Section 1115 waivers, North Carolina developed its proposal with extremely limited public input. The N.C. General Assembly's Medicaid reform legislation was negotiated largely behind closed doors without the lengthy series of public hearings seen in other states, and the N.C. Department of Health and Human Services held public hearings on its Section 1115 waiver proposal only after it was drafted. Even then, the State failed to meaningfully incorporate much of the public comment it received. During the 12 public hearings held on the State's Section 1115 waiver, not a single provider spoke in favor of the proposal.

The fervor of North Carolina's governor and legislative leaders to overhaul the state's proven health care delivery system is all the more troubling given their adamant refusal to expand Medicaid under the Affordable Care Act. According to estimates, Medicaid expansion in North Carolina could provide access to care for up to 500,000 additional residents, save the state over \$300 million in health care spending, and create tens of thousands of new jobs. Expansion would also help stabilize access to care at our state's hospitals, many of which have been struggling under the burden of uncompensated care. Given the federal government's responsibility for the bulk of the costs, the State's refusal to expand Medicaid is as inexplicable as it is irresponsible.

Despite the state's failure to expand Medicaid, North Carolina's Section 1115 waiver asks for a significant new federal investment in the program by proposing to replace the current payment system with a Delivery System Reform Incentive Payment. CMS should not provide North Carolina with funding to implement a new payment system while the state's leadership refuses to take advantage of the federal funding already available for expansion.

The statutory purpose of Section 1115 Demonstrations is to encourage states to experiment with innovative approaches to care delivery that result in stronger coverage, increased access to care, greater efficiency and quality of care, and improved health outcomes for the Medicaid population. Not only is North Carolina's waiver proposal not particularly innovative; it also risks undermining these goals by disrupting provider networks, diminishing access to care, and degrading health outcomes. We urge you to reject the state's waiver proposal and instead encourage North Carolina to strengthen and expand the current Medicaid system.

Sincerely,



DAVID PRICE
Member of Congress



G.K. BUTTERFIELD
Member of Congress



ALMA ADAMS
Member of Congress

Cc: Sylvia Mathews Burwell, Secretary, Department of Health and Human Services
Vikki Wachino, Director, Center for Medicaid and CHIP Services, CMS