

STATE OF NORTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

ROY COOPER  
GOVERNOR

KODY H. KINSLEY  
SECRETARY

SECRETARIAL DIRECTIVE 2023-001

DATE: November 1, 2023

SUBJECT: Tailored Plan Readiness & LME/MCO Streamlining Pursuant to SL 2023-134

The State of North Carolina and local governments under Chapter 122C of the North Carolina General Statutes have developed and maintained a unified system for the provision of mental health, developmental disabilities, and substance use disorder services through area authorities. There are currently six such area authorities operating as local management entities/managed care organizations (LME/MCOs).

In effort to improve delivery of care, stabilize the system, and launch Tailored Plans, the North Carolina General Assembly, through Section 9G.7A.(a20) of Session Law 2023-134 (the legislation) directed the Secretary for the North Carolina Department of Health and Human Services to reduce the number of LME/MCOs to a total of no more than five, and at least four. In deciding how to best reduce the number of LME/MCOs, I have solicited input from consumers and beneficiaries, providers, county leadership, associations, and LME/MCO leadership.

As always, my goal is to support a strong public system for the delivery of mental health, intellectual and developmental disabilities, and substance use services and have used the following guiding questions in reaching a decision:

- **What is best for the people we serve and for the providers who deliver services?** This takes into consideration health regions, where people live, and where people go to seek care. It also includes reviewing LME/MCO performance metrics and existing capacities of their provider networks, their systems, and their staff.
- **What will promote the value of whole-person care and move us to tailored plans faster?** This considers reviewing Tailored Plan readiness, the capacities of each LME/MCO, and how their strengths complement one another as part of a larger public system of care. It also includes the federal expectations of a managed care system, which is centered on the need for comprehensive access to care and choice, wherever-possible.
- **What will reduce complexity, create less disruption, and make things easier for everyone involved?** This will include how any change will be adopted by those we serve and other partners – with the goal of finding balance at a time when the system has been under immense change. It will also consider how we streamline efforts for providers and counties that need stability and consistency.

WWW.NCDHHS.GOV

TEL 919-855-4800 • FAX 919-715-4645

LOCATION: 101 BLAIR DRIVE • ADAMS BUILDING • RALEIGH, NC 27603

MAILING ADDRESS: 2001 MAIL SERVICE CENTER • RALEIGH, NC 27699-2000

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In addition, I have taken into account the request by Sandhills Center and Eastpointe to approve their Agreement and Plan of Consolidation dated August 1, 2023 (Consolidation Agreement) and other subsequent consolidation recommendations. The Consolidation Agreement is based on the philosophy that consolidation would be in the best interest of the State of North Carolina and the individuals served by them given the substantial value of the respective organizations and the strength of long-standing consumer relationships, service delivery, and its management/leadership teams. The value and strength that the two organizations bring to the public system is acknowledged under this Directive and consistent with the proposed Consolidation Agreement, and Eastpointe will be recognized as a surviving entity for the purpose of further consolidation with Trillium Health Resources. The area authority resulting from this consolidation will build on the strengths of each organization to better meet the needs of the population of the new catchment area, prepare for Tailored Plan launch, and streamline operations.

As Secretary, based on the information received from stakeholders and in order to best support a strong public system for the delivery of mental health, intellectual and developmental disabilities, I am directing that the catchment areas of Sandhills Center, Eastpointe, and Trillium Health Resources be combined except for the counties of Davidson, Harnett, and Rockingham. To achieve this realignment I hereby direct:


1. Consistent with the proposed consolidation agreement between Sandhills Center and Eastpointe and in recognition of the value of mutually agreeable consolidations, self-determination for local communities, and in effort to move toward more contiguous health regions, Sandhills Center will be dissolved and Eastpointe will be the surviving entity with all counties in the Sandhills Center catchment area aligned to Eastpointe except as follows: Davidson county will align with Partners Health Management; Harnett County will align with Alliance Health; and Rockingham County will align with Vaya Health.
2. In recognition of complimentary resources, provider networks, and individuals served, and also in effort to achieve four Tailored Plan regions to build market power, diversified risk pools and simplify systems for providers, Eastpointe shall consolidate with Trillium Health Resources. A consolidation agreement shall be crafted by the parties and presented to the Department for consultation and approval no later than thirty (30) days from the date of this Directive.
3. To ensure the expeditious launch of Tailored Plans and to minimize duplicative work such as transferring assets and other efforts related to multiple consolidations:
  - a. The final dissolution of Sandhills Center and consolidation of Eastpointe and Trillium Health Resources shall occur on the date identified in the approved Consolidation Agreement between Eastpointe and Trillium Health Resources. Work toward consolidation should begin immediately and expectations for the Consolidation Plan are described further below.
  - b. The realignment of Davidson County to Partners Health Management; Harnett County with Alliance Health; and Rockingham County with Vaya Health shall occur immediately.
4. It is advised that LME/MCOs take every effort to rapidly stabilize the system of care in readiness for Tailored Plan launch. Advised actions include but are not limited to:
  - a. honoring legacy provider programs, project, and service contracts (state, federal, Medicaid) including, but not limited to 3-way beds and all crisis services;
  - b. maximizing to the greatest extent possible consistent offerings of in lieu of services and other alternative service arrangements;
  - c. honoring current provider choice and tailored care management choice and assignment;
  - d. supporting the stability of staff and the institutional knowledge critical for the performance of essential functions; and
  - e. maintaining and supporting local consumer and family advisory councils during the transition.

To support this directive:

1. The Division of Health Benefits shall provide a proposed Consolidation Plan to the area authorities directed to consolidate within seven (7) days of the date of this Directive. The purpose of this proposed Consolidation Plan is to set expectations for the area authorities as it relates to ensuring smooth transitions of care for beneficiaries of services and Tailored Care Management, establishing clear provider contract and reimbursement approaches, maintaining staff experienced in serving their population, and ensuring financial stability of the consolidated entity. The consolidating area authorities must provide a Consolidation Plan seven (7) days after receipt of DHB's proposed Consolidation Plan which incorporates guidance from DHB.
2. The Division of Health Benefits shall provide a proposed Consolidation Plan to the receiving LME/MCOs for Davidson, Harnett, and Rockingham counties within seven (7) days of the date of this Directive. The purpose of this proposed Consolidation Plan is to set expectations for the area authorities as it relates to member engagement and transition of care for services and Tailored Care Management, provider contracting and reimbursement, staffing expectations, and asset distribution. The receiving LME/MCO shall provide a Consolidation Plan seven (7) days after receipt of DHB's proposed Consolidation Plan which incorporates guidance from DHB.
3. All contract amendments or assignments of contracts for the operation of the Tailored Plans and Prepaid Inpatient Hospital Plans between the applicable area authorities and the Division of Health Benefits that are required to meet the mandate of this directive shall be completed within thirty (30) days of the approval of the consolidation agreement for Eastpointe and Trillium and approval of the Consolidation Plan required under Paragraph 2.
4. All contract amendments or assignments for contracts for State-funded services, programs, and projects, federally-funded services, programs, and projects (i.e. MHBG funds, AARPA funds, SOR grant, SUPTR funds), 3-Way Beds, between the applicable area authorities and the Division of Mental Health, Developmental Disabilities, and Substance Use Services that are required to meet the mandate of this directive shall be completed within thirty (30) days of the approval of the consolidation agreement for Eastpointe and Trillium and approval of the Consolidation Plan required under Paragraph 2.
5. Risk reserves and other funds of the area authority for the county realignments resulting from the within ordered consolidation and realignments shall be transferred in accordance with G.S. 122C-115.6.

Pursuant to SL 2023-134, Section 9G.7A.(a20) (7), relevant actions, including the dissolution and consolidations ordered under this Secretarial Directive, are not appealable in any forum.

This Secretarial Directive is effective as of the date signed and shall remain in effect until rescinded or superseded by another applicable Secretarial Directive. This Secretarial Directive may be rescinded, or another Directive issued if any of the parties fail to meet the requirements of this Directive, or the proposed Consolidation Agreement is not approved.

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Kody H. Kinsley  
Secretary