

## **Table of Contents**

**State/Territory Name: North Carolina**

**State Plan Amendment (SPA) #: 19-0002**

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS 179 Form
- 3) Approved SPA Pages

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
61 Forsyth Street S.W. Suite 4T20  
Atlanta, Georgia 30303



## **Atlanta Regional Operations Group**

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August 20, 2019

Mr. Dave Richard  
Deputy Secretary  
Division of Medical Assistance  
North Carolina Department of Health and Human Services  
2501 Mail Service Center  
Raleigh, North Carolina 27699-2501

Dear Mr. Richard:

We have reviewed the proposed amendment to the North Carolina Medicaid State Plan (SPA) NC 19-0002 that was submitted on May 24, 2019. This State Plan Amendment was submitted for the purpose of removing lab service payments from the cost settlement process; and reimburse for this service at the Medicare Fee Schedule amount, in addition to an administrative correction to the numbering sequence. The State is moving to managed care and cost settlement is not permitted in Medicaid Managed Care under 42 CFR 438.

Based on the information provided, we are now ready to approve Medicaid State Plan Amendment NC 19-0002. This SPA was approved on August 19, 2019. The effective date of this amendment is July 1, 2019. We are enclosing the signed paper-based HCFA 179 and the approved plan pages.

Should you have questions or need further assistance, please contact Donald Graves at 919-828-2999.

Sincerely,

/s/

Shantrina D. Roberts, MSN  
Deputy Director  
Division of Medicaid Field Operations South

<b>TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL</b>  <b>FOR: HEALTH CARE FINANCING ADMINISTRATION</b>	<b>1. TRANSMITTAL NUMBER:</b> 19-0002	<b>2. STATE</b> NC
	<b>3. PROGRAM IDENTIFICATION:</b> TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
<b>TO: REGIONAL ADMINISTRATOR</b> <b>HEALTH CARE FINANCING ADMINISTRATION</b> <b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>	<b>4. PROPOSED EFFECTIVE DATE</b> July 1, 2019	

5. TYPE OF PLAN MATERIAL (*Check One*):

NEW STATE PLAN                     
  AMENDMENT TO BE CONSIDERED AS NEW PLAN                     
  AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (*Separate Transmittal for each amendment*)

<b>6. FEDERAL STATUTE/REGULATION CITATION:</b>  42 CFR 438.6 (c)	<b>7. FEDERAL BUDGET IMPACT:</b> a. FFY 2019    \$0 b. FFY 2020    \$0 c. FFY 2021    \$0
<b>8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:</b> Attachment 4.19-B, Section 9, pages 1.2 and 1.3	<b>9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (<i>If Applicable</i>):</b> Attachment 4.19-B, Section 9, pages 1.2 and 1.3

10. SUBJECT OF AMENDMENT:

Local Health Departments (LHD) Labs

11. GOVERNOR'S REVIEW (*Check One*):

GOVERNOR'S OFFICE REPORTED NO COMMENT   
  OTHER, AS SPECIFIED: Secretary  
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED  
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

<b>12. SIGNATURE OF STATE AGENCY OFFICIAL:</b> /s/	<b>16. RETURN TO:</b>  Office of the Secretary Department of Health and Human Services 2001 Mail Service Center Raleigh, NC 27699-20014
<b>13. TYPED NAME:</b> Mandy Cohen, MD, MPH	
<b>14. TITLE:</b> Secretary	
<b>15. DATE SUBMITTED:</b> 05/24/19	

**FOR REGIONAL OFFICE USE ONLY**

<b>17. DATE RECEIVED:</b> 05/24/19	<b>18. DATE APPROVED:</b> 08/19/19
PLAN APPROVED – ONE COPY ATTACHED	
<b>19. EFFECTIVE DATE OF APPROVED MATERIAL:</b> 07/01/19	<b>20. SIGNATURE OF REGIONAL OFFICIAL:</b> /s/
<b>21. TYPED NAME:</b> Shantrina D. Roberts	<b>22. TITLE:</b> Deputy Director Division of Medicaid Field Operations South

23. REMARKS:

MEDICAL ASSISTANCE  
State: NORTH CAROLINA

PAYMENT FOR MEDICAL AND REMEDIAL CARE AND SERVICES

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Notwithstanding Attachment 4.19-B, Section 5, Page 3, services for ante partum codes, delivery codes and post partum codes which are billed by Health Departments for physicians, nurse midwives, and nurse practitioners who are salaried employees of a Health Department and whose compensation is included in the service cost of a Health Department when the Health Department is a Pregnancy Medical Home (PMH) as described in Attachment 3.1-B, Page 7(a) and Attachment 3.1-F shall be settled to cost in accordance with the provisions of this Section.

This cost methodology does not apply to the reimbursement for services furnished to Medicaid recipients for Laboratory Services. These services are reimbursed fee-for-service only and Health Department costs for these services shall be excluded from cost settlement.

A. Direct Medical Services Payment Methodology:

The annual cost settlement methodology will consist of a CMS approved cost report, actual time report and reconciliation. If Medicaid payments exceed Medicaid-allowable costs, the excess will be recouped and the Federal share will be returned on the CMS-64 report.

To determine the Medicaid-allowable direct and indirect costs of providing direct medical services to Medicaid recipients receiving Clinic, Family Planning and Family Planning Waiver services in the Health Department the following steps are performed:

- (1) Direct costs for medical service include payroll costs and other costs that can be directly charged to direct medical services. Direct payroll costs include total compensation of direct services of personnel providing direct medical services.

Other direct costs include non-personnel costs directly related to the delivery of medical services, such as purchased services, capital outlay, materials and supplies. These direct costs are accumulated on the annual cost report, resulting in total direct costs.

- (2) Total direct costs for direct medical services from Item A 1 above are reduced on the cost report by any restricted public health service grant payments as defined in CMS Publication 15-1 resulting in adjusted direct costs for direct medical services.

MEDICAL ASSISTANCE  
State: NORTH CAROLINA

PAYMENT FOR MEDICAL AND REMEDIAL CARE AND SERVICES

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- (3) Indirect costs include payroll costs and other costs related to the administration and operation of the Health Department. Indirect payroll costs include total compensation of Health Department administrative personnel providing administrative services.  
  
Other indirect costs include non-personnel costs related to the administration and operation of the health department such as purchased services, capital outlay, materials and supplies. Other indirect costs also include indirect costs allocated from the county to the Health Department via the county Cost Allocation Plan.
- (4) Total indirect costs from Item A 3 above are reduced on the cost report by any restricted public health service grant payments as defined in CMS Publication 15-1 resulting in adjusted indirect costs.
- (5) Clinical Administrative costs include payroll costs and other costs which directly support medical service personnel furnishing direct medical services. Clinical administrative payroll costs include total compensation of clinical administrative personnel furnishing direct support services.  
  
Other clinical administrative costs include non-personnel costs related to the support of direct medical services such as purchased services, capital outlay, materials and supplies.
- (6) Total clinical administrative costs from Item A 5 above are reduced on the cost report by any restricted public health service grant payments as defined in CMS Publication 15-1 resulting in adjusted clinical administrative costs.
- (7) Total adjusted indirect costs from Item A 4 above are allocated based on accumulated cost to Direct, Clinical Administrative, Laboratory, and Non-Reimbursable cost centers.
- (8) Total adjusted Clinical Administrative costs from Item A 7 above are allocated based on accumulated cost from Item A 7 to Direct and Laboratory cost centers.
- (9) An actual time report is used to determine the percentage of time spent by medical service personnel on Medicaid covered services, administrative duties, and non-reimbursable activities.
- (10) The total allowable cost for Direct Medicaid covered services is calculated by multiplying the percentage of actual time spent on Medicaid covered services from Item A 9 by the accumulated cost in Direct service cost centers from Item A 8 above.

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TN. No. 19-0002  
Supersedes  
TN. No. 10-035B

Approval Date: 08/19/2019

Eff. Date 07/01/2019