



# PROGRAM EVALUATION DIVISION

## NORTH CAROLINA GENERAL ASSEMBLY

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## Options for Creating a Separate Department of Medicaid Require Transition Planning

### Summary

The General Assembly directed the Program Evaluation Division and the Fiscal Research Division to jointly study the feasibility of creating a separate Department of Medicaid. Reviewing the current organizational structure for North Carolina's Medicaid Program provides an opportunity to consider whether a different structure can improve the management and operation of the program.

**The Department of Health and Human Services (DHHS) expended \$14.8 billion for the Medicaid Program including \$730.9 million to support Medicaid administration.** DHHS is the single state agency responsible for administering the Medicaid Program. The North Carolina Medicaid Program must operate within federal guidelines, but it has broad flexibility in how it manages the program. DHHS has delegated Medicaid administrative functions to the Division of Medical Assistance, other DHHS divisions and offices, other state agencies, local government agencies, and private contractors.

**The Program Evaluation Division identified options for changing the organizational structure of the North Carolina Medicaid Program based on the experience of other states.** Options include creating a

- Department of Medicaid,
- Medicaid Program Authority, or
- Department of Health Services that includes the Medicaid Program.

Other states suggested creating a stand-alone Medicaid agency can provide stronger leadership and increased accountability for costs and policy-making. Creating a separate Medicaid or Health Services department has financial and organizational implications for the North Carolina Medicaid Program, DHHS, and statewide business functions. Implications affect the performance of Medicaid administrative functions, cost allocation of federal Medicaid reimbursement, development and implementation of Medicaid information technology systems, general administrative support for the Medicaid Program, and modifications to statewide business functions.

**Creating a new Medicaid agency would require a reasonable transition period before the organization changes are finalized.** Other states emphasized the importance of transition planning when making organizational changes. A transition period of 12 to 18 months would allow DHHS and leadership for the new Medicaid agency to plan and implement the necessary changes.