CHAPTER 108D
ARTICLE 4 - PREPAID HEALTH PLANS

N.C.G.S. § 108D-65.

Role of the Department.

SOURCE	LAST AMENDMENT IN THIS TEXT	RETRIEVED	SOURCE FINGERPRINT
General Statutes of North Carolina, as published by the General Assembly	No amendment history on record	21 September 2026, 04:14 UTC	e59fe7a073120288d46dc679 - 954fc485310466f2422ca437 - c6e9bb135c7d26ec

§ 108D-65(a) The role and responsibility of the Department during Medicaid transformation shall include the following activities and functions:

(1) Submit to CMS a demonstration waiver application pursuant to Section 1115 of the Social Security Act and any other waivers and State Plan amendments necessary to accomplish the requirements of this Article within the required time frames.

(2) Define six regions comprised of whole contiguous counties that reasonably distribute covered populations across the State to ensure effective delivery of health care and achievement of the goals of Medicaid transformation set forth in G.S. 108D-30. Every county in the State must be assigned to a region.

(3) Oversee, monitor, and enforce capitated PHP contract performance.

(4) Ensure sustainability of the transformed Medicaid program.

(5) Set rates, including the following:

a.Capitation rates that are actuarially sound. Actuarial calculations must include utilization assumptions consistent with industry and local standards. Capitation rates shall be risk adjusted and shall include a portion that is at risk for achievement of quality and outcome measures, including value-based payments, provided that capitated PHP contracts shall not require any withhold arrangements, as defined in 42 C.F.R. § 438.6, during the first 18 months of the demonstration. Any withhold arrangements required under a capitated PHP contract after the first 18 months of the demonstration shall not withhold an amount of a PHP's capitation payment that exceeds three and one-half percent (3.5%) of the PHP's total capitation payment. The

Department shall not require community reinvestment as a condition for a PHP's receipt of any at-risk portion of the capitation rate.

b.Appropriate rate floors for in-network primary care physicians, specialist physicians, and pharmacy dispensing fees to ensure the achievement of transformation goals.

c.Rates for services in the remaining fee-for-service programs.

(6) Enter into capitated PHP contracts for the delivery of the Medicaid services described in G.S. 108D-35. All contracts shall be the result of requests for proposals (RFPs) issued by the Department and the submission of competitive bids by PHPs. The Department shall develop standardized contract terms, to include at a minimum, the following:

a.Risk-adjusted cost growth for its enrollees must be at least two percentage (2%) points below national Medicaid spending growth as documented and projected in the annual report prepared for CMS by the Office of the Actuary.

b.A requirement that PHP spending for prescribed drugs, net of rebates, ensures the State realizes a net savings for the spending on prescription drugs. All PHPs shall be required to use the same drug formulary, which shall be established by the Department.

c.A minimum medical loss ratio of eighty-eight percent (88%) for health care services, with the components of the numerator and denominator to be defined by the Department. The minimum medical loss ratio shall be neither higher nor lower than eighty-eight percent (88%). The Department shall not require community reinvestment as a result of a PHP's failure to comply with any minimum medical loss ratio.

d.[Reserved for future codification.]

e.A requirement that all PHPs assure that enrollees who do not elect a primary care provider will be assigned to one.

f.Terms that, to the extent not inconsistent with federal law or regulations, or State law or rule, ensure PHPs will be subject to certain requirements of Chapter 58 of the General Statutes in accordance with this sub-subdivision. Compliance with these requirements shall be overseen and enforced by the Department. The requirements to be incorporated in the terms of the capitated PHP contracts are in the following sections of Chapter 58, and the requirements in these sections shall be applicable to

PHPs in the manner in which these sections are applicable to insurers and health benefits plans, as the context requires:

1.G.S. 58-3-190, Coverage required for emergency care, excluding subdivisions (3) and (4) of subsection (g).

2.G.S. 58-3-191, Managed care reporting and disclosure requirements.

3.G.S. 58-3-200(c), Miscellaneous insurance and managed care coverage and network provisions.

4.G.S. 58-3-221, Access to nonformulary and restricted access prescription drugs.

5.G.S. 58-3-225, Prompt claim payments under health benefit plans.

6.G.S. 58-3-227, Health plans fee schedules.

7.G.S. 58-3-231, Payment under locum tenens arrangements.

8.G.S. 58-50-26, Physician services provided by physician assistants.

9.G.S. 58-50-30, Right to choose services of certain providers.

10.G.S. 58-50-270, Definitions.

11.G.S. 58-50-275, Notice contact provision.

12.G.S. 58-50-280, Contract amendments.

13.G.S. 58-50-285, Policies and procedures.

14.G.S. 58-50-295, Prohibited contract provisions related to reimbursement rates.

15.G.S. 58-51-37, Pharmacy of choice. The requirements of this statute to be incorporated into capitated PHP contracts shall apply to all PHPs regardless of whether a PHP has its own facility, employs or contracts with physicians, pharmacists, nurses, or other health care personnel, and dispenses prescription drugs from its own pharmacy to enrollees.

16.G.S. 58-51-38, Direct access to obstetrician-gynecologists.

17.G.S. 58-67-88, Continuity of care.

This sub-subdivision shall not be construed to require the Department to utilize contract terms that would require PHPs to cover services that are not covered by the Medicaid program.

g.A requirement that all participation agreements between a PHP and a health care provider incorporate specific terms implementing sub-sub-subdivisions 3, 5, 6, 10, 11, 12, and 13 of sub-subdivision f. of this subdivision.

(7) Prior to issuing the RFPs [requests for proposals] required by subdivision (6) of this section, consult, in accordance with G.S. 12-3(15), with the Joint Legislative Oversight Committee on Medicaid on the terms and conditions of the requests for proposals (RFPs) for the solicitation of bids for statewide and regional capitated PHP contracts.

(8) Develop and implement a process for recipient assignment to PHPs. Criteria for assignment shall include at least the recipient's family unit, including foster family and adoptive placement, quality measures, and primary care physician.

(9) Define methods to ensure program integrity against provider fraud, waste, and abuse at all levels.

§ 108D-65(b)

Except as required by federal law or regulation, the Department shall not prohibit PHPs from requiring itemized bills for inpatient hospital outlier claims that are greater than two hundred fifty thousand dollars ($250,000) or more than two standard deviations from the median claim amount of the applicable billing code. (2015-245, s. 5; 2016-121, s. 2(c); 2018-49, s. 6(b); 2019-81, ss. 13, 14(a), (b); 2022-74, s. 9D.15(z), (bb); 2023-7, s. 1.7(o); 2023-11, s. 3.2(h); 2026-1, s. 3C.15(a).)

END OF SECTION TEXT

APPARATUS FOLLOWS — DERIVED, NOT ENACTED

APPARATUS II
7 AUTHORITIES

Authorities referenced

Every G.S. cross-reference appearing in the text of this section, in order of first appearance. Nothing is characterized; the operative language is quoted from the section itself.

REFERENCE	APPEARS IN	OPERATIVE LANGUAGE IN THIS SECTION
G.S. 108D-30	(a)(2)	*"of Medicaid transformation set forth in"*
G.S. 108D-35	(a)(6)	*"of the Medicaid services described in"*
G.S. 58-3	(a)	*"1."*
G.S. 58-50	(a)	*"8."*
G.S. 58-51	(a)	*"15."*
G.S. 58-67	(a)	*"17."*

G.S. 12-3(15)	(a)(7)	*"this section, consult, in accordance with"*

APPARATUS III

Citation

FULL SECTION

N.C. Gen. Stat. § 108D-65 (2026).

PINPOINT

N.C. Gen. Stat. § 108D-65(a) (2026).

Pinpoint keys are set in the left margin of the text rather than line numbers: subsection designators are stable across editions and paper sizes, line numbers are not.

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