



Cardinal Innovations Healthcare Solutions Response to MeckLINK RFI

October 4, 2013



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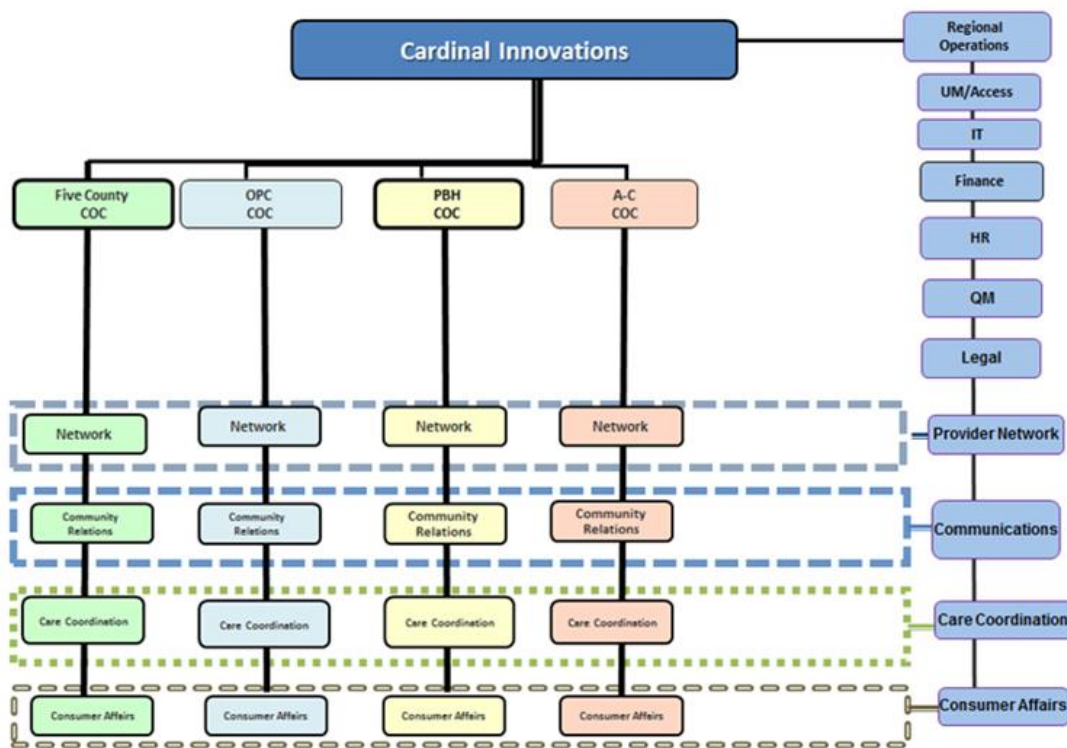
Section I – RFI Response Format and Components

B. Background and Experience: Provide a concise description of the MCO, including origin, years in business, state of incorporation, background and current size. Include general organization and staffing structure.

In 1974, the Piedmont Area Mental Health, Mental Retardation and Substance Abuse Authority (PBH) was created by the Boards of County Commissioners of Cabarrus, Stanly and Union counties to provide behavioral health services to residents of those counties as an area authority pursuant to N.C.G.S. Chapter 122C. Rowan County joined in 1997 and Davidson County joined in 2004. On July 1, 2012, the following 10 counties joined PBH’s five original counties to create Cardinal Innovations Healthcare Solutions (Cardinal Innovations): Alamance, Caswell, Chatham, Franklin, Granville, Halifax, Orange, Person, Vance and Warren. On July 1, 2003, PBH was certified as a Local Management Entity (LME), and shortly thereafter its proposal to manage all state funding for its service area, and to design and operate Medicaid managed care waivers, was approved. On April 1, 2005, PBH officially began operating as a Prepaid Inpatient Health Plan, serving a population of approximately 630,000, with more than 75,000 Medicaid enrollees and a combined budget of \$90 million.

Cardinal Innovations is the model for managed care in North Carolina. Cardinal Innovations is the model for the statewide expansion of the Medicaid Waivers. Its success is so well recognized that in 2011, when the North Carolina General Assembly passed legislation requiring the statewide expansion of the Medicaid managed care waivers, it specifically required that this expansion occur according to the PBH model.

Below is a summary of the organizational structure of Cardinal Innovations.



Quality Driven. Solution Focused. Member Inspired.

C. Medicaid Population

1. Provide the total population of your current catchment area as of September 30, 2013.

The total population of Cardinal Innovations’ 15 counties collectively is approximately 1.4 million.

2. Provide the total number of Medicaid covered lives in your catchment area by County as of September 30, 2013.

The total number of Medicaid covered lives in Cardinal Innovations’ catchment is approximately 187,000.

3. Provide the total number of unique Medicaid covered lives served by your agency by month for the past six months.

As of October 2, 2013, the reported total number of Medicaid covered lives who received services by Cardinal Innovations per month for the immediately preceding six months is as follows:

April – 14,425	July – 12,318 (incomplete)
May – 14,096	August – 11,810 (incomplete)
June – 13,069	September – 8,178 (incomplete)

The data reported for the months of July, August and September are lower than the previous months due to the fact that providers have 90 days, and in some cases 180 days, to submit claims to Cardinal Innovations.

Below is the rolling 12 month Medicaid penetration ending July 2013.

Age (12 Month Calculation for Aug'12 -Jul'13)	% to Total by Age	# of Persons and Penetration %
• Child 3-20		
Number of Persons Served	44.77%	14,718
Cardinal Innovations Medicaid Eligibles	58.57%	139,231
Penetration Rate by Age		10.57%
• Adult >=21		
Number of Persons Served	55.23%	18,155
Cardinal Innovations Medicaid Eligibles	41.43%	98,489
Penetration Rate by Age		18.43%
• Total		
Number of Persons Served	100%	32,873
Cardinal Innovations Medicaid Eligibles	100%	237,720
Penetration Rate by Age		13.83%

D. Governance: Describe your governance structure.

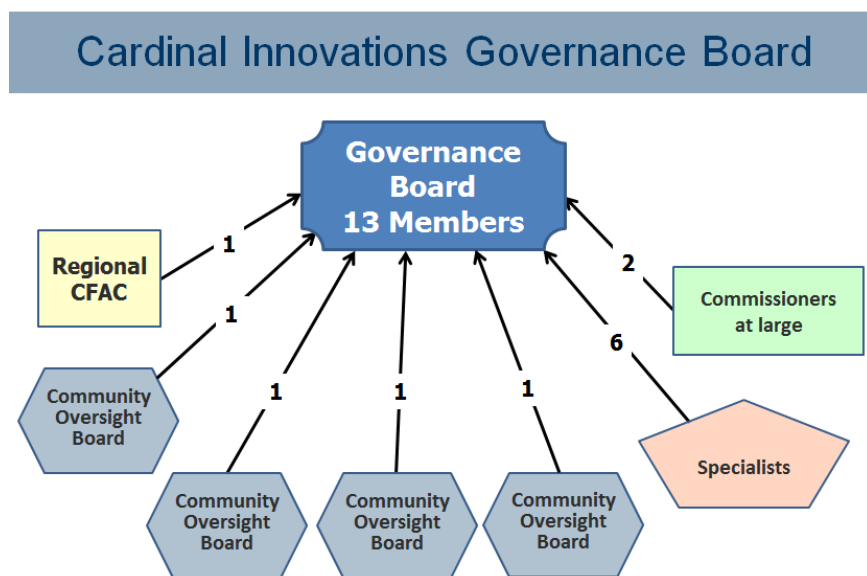
The Cardinal Innovations governance structure was designed in 2011 by representatives from our constituent Boards of County Commissioners, Consumer and Family Advisory Committees, and the Area Boards of the LMEs that were combining to create Cardinal Innovations. Cardinal Innovations operates under a two-tiered board structure, with a single Governing Board and separate Community Oversight Boards for each Community Operations Center and historical LME catchment.

The two-tiered board structure is designed to keep governance close to the communities we serve by having local oversight boards. Each Community Oversight Board is responsible for advising the Cardinal Innovations Governing Board on strategic planning, community priorities and needs, and issues of concern related to its local communities that are identified through its monitoring activities. The Community Oversight Boards then elect representatives to the Governing Board. Based on this local input, the Governing Board then determines policy, conducts strategic planning and monitors key deliverables, including overall performance and financial management, ensuring the overall health of Cardinal Innovations.

1. For your current governing board and any advisory boards, include the size, composition, list of members, and how members are nominated, appointed or selected.

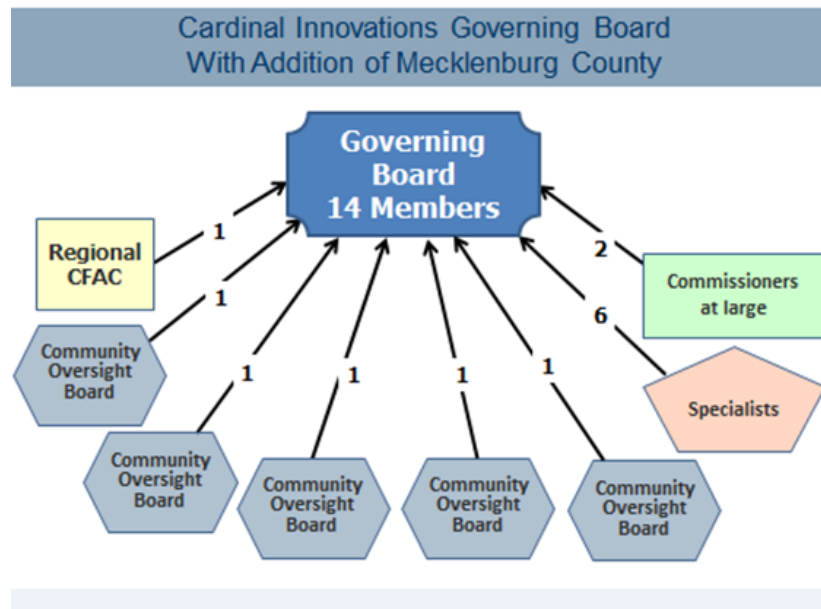
Each of Cardinal Innovations current Community Oversight Boards is comprised of three members appointed by each constituent county's Board of County Commissioners and includes one County Commissioner, a consumer or family member, and another citizen or stakeholder, as well as the Chair, or other elected member, of the local Consumer and Family Advisory Committee.

The Cardinal Innovations Governing Board includes one member from each Community Oversight Board, two Commissioners from among our constituent counties, a representative from the Regional Consumer and Family Advisory Committee and six specialists, for a total of 13 members. A list of the current members of the Cardinal Innovations Governing Board and each of the Community Oversight Boards is available on the Cardinal Innovations website.



2. If your MCO and MeckLINK were to be merged or partnered together, describe how your governance structure would change to accommodate the interests of Mecklenburg County. Specifically, would the Mecklenburg County Board of Commissioners be entitled to make appointments to your governing board? If so, how many?

When management of Medicaid funded services transfers from MeckLINK to Cardinal Innovations, the Mecklenburg Board of County Commissioners will be asked to appoint a five-member Community Oversight Board. The purpose of the oversight board is to provide feedback to the Mecklenburg Community Operations Center, and to review information about services provided to residents of Mecklenburg County, as well as community activities, special projects and quality management. The Community Oversight Board should include a representative of the Mecklenburg Consumer and Family Advisory Committee, one county commissioner or designee, and consumers and/or family members, as well as community stakeholders. The Community Oversight Board for Mecklenburg County will also elect a member to serve on the Cardinal Innovations Governing Board.



3. Provide any by-laws or documents adopted by your governing board related to governance.

The Community Oversight Board established by the Mecklenburg Board of County Commissioners will adopt its own bylaws. If requested, Cardinal Innovations can provide a template of such bylaws for your review.

4. Do you have a finance committee? If so, include the size, composition, list of members, and how members are selected.

The Cardinal Innovations Governing Board has appointed a three-member finance committee, which includes those Governing Board members with expertise in financial matters. The following Directors serve on the finance committee: Bruce McWhinney, Governing Board Chairman, Steve Yuhasz, Finance Committee Chair, and Danny Wright, a CPA.

5. If an advisory board is appointed, specifically, what would be their role and duties as compared to the Area Authority Board?

The Cardinal Innovations Governing Board is responsible for determining policy; strategic planning, including consideration of local priorities brought forward by the Community Oversight Boards; approving the annual budget; hiring, firing and evaluating the Chief Executive Officer (CEO); monitoring of deliverables, including overall performance and financial management; government affairs and advocacy; reporting to constituent counties; responding to concerns and feedback; and generally ensuring the overall health of the organization. The Community Oversight Board for Mecklenburg County will be responsible for advising the CEO on the evaluation and hiring of the executive director for the Community Operations Center; recommending priorities for expenditure of state and county funds for development of the annual budget; determining local priorities for inclusion in the strategic plan; identifying community needs and concerns; monitoring resolution of issues; and monitoring performance at the local level, including access to care, expenditure of service funds, number of consumer served, services delivered, provider network size and composition, outcomes and consumer satisfaction.

6. Are your governing board members paid? If so, what is the compensation?

Board members receive a per diem of \$50 and are reimbursed for travel expenses in accordance with N.C.G.S. §122C-120.

E. Consumer Satisfaction



1. Provide your MCO's most recent customer satisfaction information to include information on consumer complaints and grievances. Include the number of consumers surveyed, survey distribution methodology, and the survey instrument.

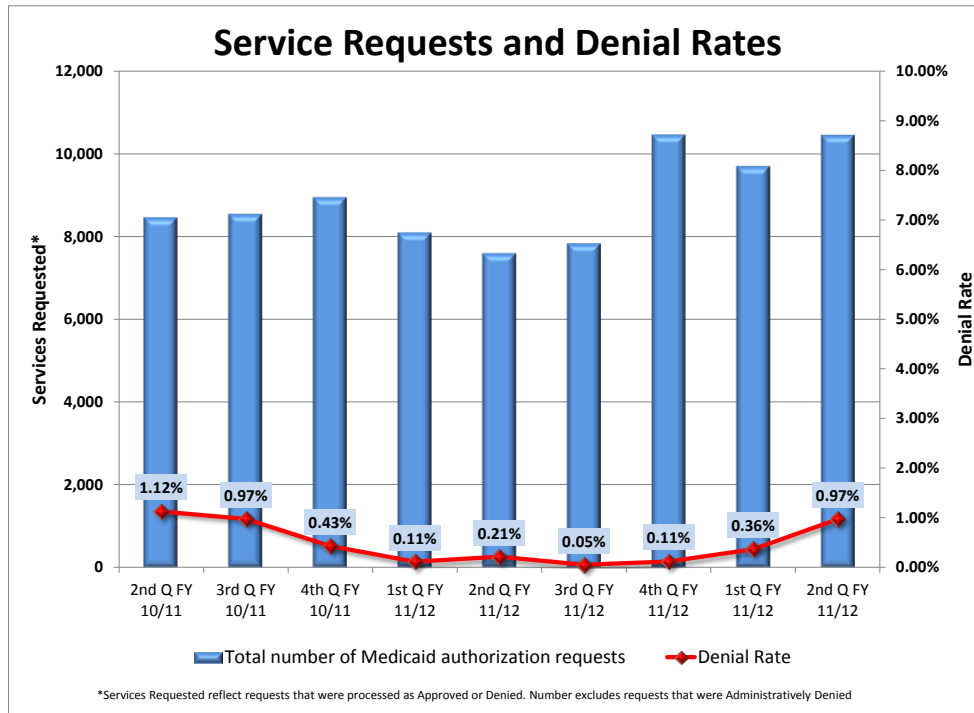
Attached as Exhibit A is the 2012 Consumer Satisfaction Survey questionnaire, as well as the final Consumer Satisfaction Survey Report for Cardinal Innovations which outlines the number of consumers surveyed and the survey methodology.

Cardinal Innovations' consumer satisfaction surveys traditionally have been conducted by the Urban Institute at the University of North Carolina-Charlotte (UNCC). This process assures that enrollee responses are anonymous. The scores and comments are compiled by UNCC and summarized in a report that includes aggregated data, which is presented to Cardinal Innovations. This information is widely reviewed in various quality and oversight forums, including the Community Oversight Boards, Governing Board and Consumer and Family Advisory Committees. Corrective action and improvement goals are derived from this data.

2. Provide the number of consumer appeals your MCO has received during the last 36 months.

Overall, Cardinal Innovations denies less than 1% of the requests for services it receives and, therefore, does not receive many appeals. However, if a reconsideration review is not decided in a consumer's favor, the consumer has the right to appeal the decision in accordance with state and federal law. In North Carolina, Medicaid consumer appeals are heard by the Office of Administrative Hearings.

Between October 1, 2010 and September 30, 2013, Cardinal Innovations processed 131,549 requests for Medicaid services. Of those, 760 requests (0.6%) were denied. Of those denials, 118 requested a reconsideration review, which is the first step in the appeals process.



3. Provide the number of consumer cases in the Office of Administrative Hearings during the last 36 months, including the number and percentage of these cases in which the MCO decision was overturned.

Since October 1, 2010, 23 service denials have been appealed to the Office of Administrative Hearings (OAH). Two cases are still pending before OAH; however, in each of the remaining 21 consumer appeals to OAH, Cardinal Innovations’ initial decision has been upheld.

F. Provider Information

1. Provide a complete listing of providers currently in your provider network. This should include the number of consumers served by the provider and the Medicaid payment amounts by provider for both the prior year (FY 2013) and current YTD.

Cardinal Innovations has approximately 900 providers. Attached as Exhibit B is a list of the Cardinal Innovations’ largest 25 providers currently in our network based on the number of consumers served during July 2013.

2. Provide a list of providers that have been terminated from your network and the reasons for termination.

Attached as Exhibit C is a list of providers that have been terminated from the Cardinal Innovations provider network during the past 12 months, including the reasons for termination.

3. By whom are you accredited as a Managed Care Organization? Would you be able to accept MeckLINK's credentialing of providers and practitioners, or, would they have to be credentialed by your MCO?

Cardinal Innovations has been accredited by the National Council on Quality Assurance (NCQA) since 2008. Cardinal Innovations plans to accept MeckLINK's credentialing to the degree that our accreditation body permits.

4. Provide your plan for incorporating the MeckLINK provider network into your provider network.

It is important to ensure that all MeckLINK providers are enrolled and prepared for participation in the Cardinal Innovations provider network so there is no disruption in services for consumers or payments to providers. Our goal will be to make the transition and enrollment process with Cardinal Innovations as simple as possible. Therefore, **all providers currently in good standing and enrolled** in the MeckLINK network will be accepted into the Cardinal Innovations provider network.

In addition, Cardinal Innovations has developed the following strategies to ensure a smooth transition for any MeckLINK providers interested in joining the Cardinal Innovations provider network:

- **Provider Partnership:** Providers are the “front line” for Cardinal Innovations. The Cardinal Innovations provider network is strong because we customize training to support provider needs in developing quality strategies, learning best practice approaches to treatment, and business processes such as claims submission. Providers are engaged in quality strategies through Global Continuous Quality Improvement Councils that have been established in each region. Providers are also engaged in clinical standards and initiatives through the Clinical Advisory Committee. Cardinal Innovations' goal is to be clear and transparent with our expectations and requirements for providers.
- **Provider Training:** Online and face-to-face training will be available prior to and immediately following the transition in areas such as authorizations, claims submission and payment, quality and contract expectations, and clinical protocols and best practices. Cardinal Innovations' staff will be available to help providers with transition requirements and to address individual provider concerns. Cardinal Innovations has extensive experience with transitioning providers into our network with a well-defined on-boarding process.
- **Provider Monitoring:** The Cardinal Innovations approach to provider monitoring is part of a quality improvement process. Whenever possible, providers are asked to implement plans of correction when performance issues are identified. Cardinal Innovations communicates with providers to ensure that they understand identified concerns and issues. While we have high expectations of our providers, providers also want to be known for the quality of their services and our mutual expectations have been realized through our collaborative and supportive relationships.
- **Claims and Payment:** Cardinal Innovations has a highly efficient claims processing and payment system. The system has been honed over the past eight years, and there are no problems in processing claims paid under the waiver. We want our providers to be

paid quickly. We reach out to and help providers with billing problems and provide technical assistance when providers contact us for assistance.

- **Provider Customer Service Support:** Our Helpdesk works with providers on connectivity and other IT related issues. A Customer Service Representative is assigned to each provider for claims and payment related questions and a Provider Relations Manager is assigned to each provider to help the provider access the support they need from Cardinal Innovations.

G. Employee Information

1. Provide your plan for combining MeckLINK staff, and divisional areas of responsibility, with those of your MCO.

Many staff currently working for MeckLINK will find new opportunities available with Cardinal Innovations within the Community Operations Center in Mecklenburg County and within centralized functions. We welcome their contributions. MeckLINK staff will have priority consideration for open positions. Cardinal Innovations prefers to hire people who already know the Mecklenburg community and service system. Our experience is that hiring staff that previously worked in the former locales in which we have expanded has been an important asset as other counties have joined Cardinal Innovations.

The Community Operations Center in Mecklenburg County will be the focal point for community services for people needing mental health, intellectual/developmental disabilities, and substance use/addiction treatment, just as MeckLINK has been in the past. This local office will provide support for citizens, consumers, families and providers. It will be the place that the community will look to for guidance, collaboration and problem resolution. The Community Operations Center would include the following capacity:

- **Director's Office:** The Community Operations Center for Mecklenburg County will have a Director that will have the lead responsibility for ensuring that all aspects of service delivery operate smoothly for residents of Mecklenburg County. This includes ensuring that:
 - People have easy access to care. They will be able to enter our system through any enrolled provider.
 - The provider network is adequate in size and scope to provide medically necessary services to the residents of Mecklenburg County.
 - There is sufficient provider capacity to respond to consumers in crisis.
 - Enrolled providers offer quality services.
 - Consumers have needed information about service options, as well as information on how to make complaints and appeal Medicaid decisions about their care when it does not meet their expectations.
 - There is collaboration with community stakeholders in an effort to meet the needs of people served by multiple systems.
 - People who need assistance in accessing care or transitioning among different levels of care receive outreach and care coordination to ensure that they are linked to services.
 - Care Coordination is provided to individuals with complex physical health, behavioral health and intellectual/developmental disability conditions.

- Collaboration with Community Care of North Carolina (N3CN) and other primary health system care coordinators.
 - Ongoing availability to collaborate with public officials, service agencies, advocacy organizations and healthcare systems.
 - We work with the Community Oversight Board and support its efforts to understand system operations and performance, respond to concerns and identify needs unique to the local Charlotte community.
 - We work with Community Care of Mecklenburg County to support collaboration and ensure the success of integrated care initiatives.
- **Care Coordination:** Staff that work directly with consumers and families will be based at the Community Operations Center in Mecklenburg County. Because of the large number of consumers that are served in Mecklenburg County, Cardinal Innovations plans to hire a significant number of care coordinators, many of which are currently working for MeckLINK, to work in Mecklenburg County.
 - **Consumer Affairs:** The Community Operations Center in Mecklenburg County will have a Consumer Affairs team that will consist of openly declared consumers and family members from all three major disability groups. Staff will serve as ombudsmen, educators and advocates, work with individual consumers and consumer groups, provide education, participate in problem resolution activities, and will be a point of contact for Mecklenburg County consumers and families, advocacy organizations and other community agencies. The Office of Consumer Affairs will support the Mecklenburg County Consumer and Family Advisory Committee and the Client Rights Committee for Mecklenburg County.
 - **Community Relations:** Community Relations staff at the Community Operations Center in Mecklenburg County will support the Director in outreach to the community, participate in community committees and workgroups, provide education and training to the community at large, conduct community forums and engage in activities that are specific to Mecklenburg County. The goal of this team is to receive and provide ongoing communication with our stakeholders.
 - **Provider Relations:** Provider Relations staff will work with providers to support their engagement with Cardinal Innovations, to identify common needs among providers, to assist with problem resolution and to collaborate on service initiatives.

In addition to the Community Operations Center that will be located in Mecklenburg County, Cardinal Innovations is also in the process of establishing a Service Center where provider enrollment, contracting and claims processing functions will be brought together in a single location. With the addition of Mecklenburg County consumers, additional staff will be hired, many of which are currently working for MeckLINK, to support the increased claims volume at the Service Center.

2. **Provide your MCO's most recent employee satisfaction survey. Include the total number of employees in your organization and the total number of employees responding to the survey. Include a copy of the survey questions.**

Cardinal Innovations has undergone significant change throughout the last several years; therefore, we have adopted a micro-level approach to employee surveying to better stay abreast of the employee climate. In an effort to keep our finger on the pulse of the morale of our employee population, we have moved to event-based surveys. We have conducted

numerous surveys regarding trainings, company-wide meetings, skip-level meetings, and various events throughout the year. The results of the Community Operations Center Employee Satisfaction Survey are attached as Exhibit D.

3. Describe your MCO's retirement plan for all levels of employees. If different plans are available, list the position titles eligible for each plan.

Cardinal Innovations employees are eligible to participate in our 401k plan administered by Principle. Cardinal Innovations matches dollar for dollar up to 3% of an employee's base pay.

Additionally, Cardinal Innovations has a non-match contribution benefit in which employees are awarded a percentage of their base pay annually based upon years of service. This benefit is not contingent upon the employee's participation in the 401k plan, and begins after two years of employment. The employee is awarded a 401k contribution of 4% for 2-4 years of service, 5% for 5-9 years of service, 6% for 10-14 years of service, and 7% for years of service beyond 15 years.

Finally, Cardinal Innovations also offers the National Association of Counties' 457b plan, available through Nationwide, although we do not match these contributions. We are also evaluating the possibility of offering a long-term incentive plan for employees at all levels of the organization.

4. Describe your MCO's philosophy and approach to performance management. Specifically describe any merit or bonus plan utilized in the last three years for all employees. If different plans are provided for different levels of employees, this should be described.

Cardinal Innovations believes that our greatest asset is our employees. Our compensation philosophy supports that belief. Cardinal Innovations is committed to recognizing the performance of the company, business unit, team and individuals. We maintain a competitive base pay structure that drives a high performance culture, which is aligned with the achievement of our strategic goals and objectives that are designed to provide quality services to our consumers.

In this fiscal year, we will implement our "Raise the Bar – Initiative for Excellence" initiative which is designed to drive employee engagement, morale, development and performance. One component of this initiative is a Pay for Performance program which focuses on company, team and individual performance.

5. Is your MCO part of the North Carolina Local Government Retirement System?

No.

6. Does your MCO have substantial equivalency status with the North Carolina State Personnel System?

Yes.

H. Financial and Budget Information

1. What is your contract/fiscal year with the State, i.e., July 1 – June 30?

Cardinal Innovations' fiscal year begins on July 1, and ends on June 30. Additionally, Cardinal Innovations' current contract with the NC Department of Health & Human Services Division of Medical Assistance ("DMA") has an expiry date of June 30, 2015.

2. What is your current PMPM contract rate? Include the rate for each of the six (6) categories of aid and "Total with Innovations."

Cardinal Innovations has maintained access to care and quality of service, while reducing Medicaid costs. For the original Cardinal Innovations counties, the Medicaid rate has been reduced from a high of approximately \$138 PMPM to the most recent rate of approximately \$105 PMPM for 2013. This has been accomplished with an average service request denial rate of less than 1%, and without reducing the number of people receiving services. For Cardinal Innovations' 2012 expansion areas, the Medicaid rate approximates \$150 PMPM.

3. What is the breakdown of your current PMPM rate as defined by your current Service Rate? Include the service rate for each of the 15 categories of service and PIHP Admin (Gen. Admin; DD and MH/SA Treatment Planning; Risk Reserve).

Cardinal Innovations has multiple PMPM rates which vary dependent upon the locality of the consumer. As mentioned above, Cardinal Innovations' rates are different for the original five counties and for the counties added through the 2012 expansions. On an overall basis, Cardinal Innovations' PMPM includes administration of approximately 7.7%, care coordination of approximately 3.5% and risk reserve of approximately 1.2%. Member Inspired

4. Provide your MCO's FY 2013 year-end financial statements, including statement of net assets, statement of activities, balance sheet and income statement. Unaudited statements are acceptable. MeckLINK will use this information to assess the financial position of a combined entity.

With this response, Cardinal Innovations has provided financial statements for each of the fiscal years ended June 30, 2013, 2012 and 2011, attached as Exhibit E.

5. Provide your MCO's Schedule W reports for the past 12 months or if you are an MCO that has been operational for less than 12 months, for the number of months your MCO has been operating.

Consistent with our previous contract with DMA which ended August 31, 2013, Cardinal Innovations was not required to report on Schedule W for the years ended June 30, 2012 or June 30, 2013. Cardinal Innovations' requirement to report on Schedule W became effective September 1, 2013, in connection with the renewal of its contract with DMA. As provided in Item 4 above, Cardinal Innovations has supplied financial statements for each of the three years ended June 30, 2013.

6. Provide your current year operating budget by line item.

With this response, Cardinal Innovations has provided a copy of its latest budget revision dated as of August 31, 2013, attached as Exhibit F.

7. Provide a pro forma financial statement indicating the impact MeckLINK is anticipated to have on your MCO's financial viability.

The financial impacts to Cardinal Innovations' Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position are heavily dependent on a number of factors, the outcome of which is not yet known. These factors include, but are not limited to, the following:

- The impact of specific provisions of SB 208 relating to the establishment of financial responsibility with respect to any incurred liabilities of MeckLINK as of the transition date and the transference of any available fund balances;
- The impacts of any financial arrangements negotiated between Cardinal Innovations and Mecklenburg County associated with the transfer of operations;
- Establishment of future levels of State and County funding, and the impacts on working capital at the timing of such funding;
- The amount of fund balance to be transferred by Mecklenburg County to Cardinal Innovations in support of state-funded services or in accordance with N.C.G.S. § 122C-115.3;
- The adequacy of PMPM rates relating to consumers in Mecklenburg County; and
- The level of start-up costs associated with the transfer of operations.

As these impacts are not yet quantifiable, preparation of a pro forma Statement of Net Position or a pro forma Statement of Revenues, Expenses and Changes in Net Position is not feasible. However, while there will be impacts associated with a transfer of operations, based on the financial strength of Cardinal Innovations, including significant liquidity and unreserved fund balance as presented in the 2013 financial statements, the impact of this transition would not be expected to have an adverse impact on Cardinal Innovations' ability to provide continuity of services to consumers in Mecklenburg County or to continue to provide services in any of the existing Cardinal Innovations service areas.

8. Provide a list of IT systems/applications used by your agency and their purpose.

Cardinal Innovations currently uses the following IT systems and/or applications for the designated purposes:

- Cardinal Innovations Enterprise – CI Application used for corporate transactions, batch claims processing and corporate workflow;
- Great Plains – Financial accounting application;
- BI – Business Intelligence used for reporting and business analytics; and
- CMT – Care Management Technologies used for clinical analytics.

I. Legal proceedings, Litigation and Investigations

1. **List any current or pending litigation or legal proceedings in which your agency is a plaintiff or defendant.**

Describe the nature, location, and status of these proceedings. Include any cases that are in Court or in the Office of Administrative Hearings. Indicate in your response how many are provider initiated/related and how many are consumer initiated/related.

Cardinal Innovations does not offer public comment on legal matters. Cardinal Innovations' position in any given case is made through appropriate legal filings. However, Cardinal Innovations and DHHS are currently involved in two federal lawsuits filed by legal advocacy organizations. The first of these is Clinton L., et al v. Cansler, et. al., 10-CV-00123, in the United States District Court for the Middle District of North Carolina. This case seeks to challenge Cardinal Innovations' authority to set rates for state-funded services.

The second is K.C. v. Wos and Shipman, 5:11-CV-00354-FL, in the Eastern District of North Carolina. This case seeks to challenge the state's pilot of the Support Needs Matrix, which is an innovative framework for the assessment of need and allocation of services to people with intellectual and developmental disabilities.

2. **List any current EEOC and Worker's Compensation claims against your agency.**

Please see response to I.1., above.

3. **List any current legal proceedings or investigations by any Federal or State Agency.**

Please see response to I.1., above.

4. **List all court judgments entered against your MCO within the last 36 months, indicating the specific relief awarded to the opposing party.**

Please see response to I.1., above.

J. Local County Funding

1. **Describe your experience managing local funds intended for service provision within your respective counties. How are these funds used and who decides how they are used? Provide copies of any interlocal agreements your MCO has with partner counties.**

County funds are always spent in the county from which they come. Cardinal Innovations does not take administrative overhead from county allocations. The counties inform us at the beginning of the year what their allocation is and any requirements for how it should be spent. Counties may choose to continue to directly manage and disperse county funding. If Mecklenburg County decides to continue to manage county funds directly, Cardinal will work with Mecklenburg to ensure that we do not overlap state and county funding for local services. Cardinal Innovations does not expect that Mecklenburg County will fund gaps in services.

- 2. Describe in detail your MCO's plan to manage Mecklenburg County's locally funded behavioral health services and dollars for Mecklenburg County residents. This should include information on a proposed breakdown of percentage of funding for service expense for Mecklenburg County residents and percentage of funding for administrative costs.**

As mentioned above, funds provided by Mecklenburg County for locally funded behavioral health services will only be spent on Mecklenburg County residents as determined by Mecklenburg County. Administrative overhead is funded in total from other revenue sources.

K. Merger Information

- 1. Provide an anticipated timeline for this merger by major activity categories.**

It is important to note that Mecklenburg County's decision to join Cardinal Innovations in providing behavioral health services to Mecklenburg consumers is not an actual merger of organizations, but rather a transfer of operations from MeckLINK to Cardinal Innovations. Our recent experience in adding 10 additional counties has informed our planning. We learned that each transaction is unique, varies according to local conditions and requires a comprehensive transition plan, which depends upon cooperation among the parties involved. We estimate that once a comprehensive transition plan is developed to transition services from MeckLINK to Cardinal Innovations, all major activities required to complete the transfer of operations could be accomplished in four months.

- 2. Provide financial considerations or costs associated with a merger. This should include details about any financial responsibility your organization would absorb or assume for the transition, including any deferred payments to the County based on future savings to the merged MCO resulting from the merger, or, in the alternative, any cost to Mecklenburg County to merge. (The County is interested in recovering enough money, either initially, or over time, to repay its expenses in setting up MeckLINK, but nothing more.)**

Cardinal Innovations fully expects to bear the start-up costs, which could approximate \$4 million, associated with the transfer of service management for Mecklenburg consumers from MeckLINK to Cardinal Innovations. Cardinal Innovations does not expect Mecklenburg County to incur any start-up costs for this transition.

While Cardinal Innovations does not expect Mecklenburg County to fund any start-up costs, the amount of fund balance to be transferred by Mecklenburg County to Cardinal Innovations in support of state-funded services or in accordance with N.C.G.S. § 122C-115.3 would require further discussion.

Additionally, as Cardinal Innovations would assume responsibility for services and obligations as of, and after, the date operations are transferred, Cardinal Innovations does not expect to assume the prior liabilities of MeckLINK. However, we appreciate that the County wishes to recover its advances, made through loans, to MeckLINK and we are open to discussing this issue.

3. The County loaned MeckLINK \$8.4 million for startup costs. Provide information on your capacity to assume the loan and repay the County over some period of time.

As mentioned in K.2. above, as Cardinal Innovations would assume responsibility for services and obligations as of, and after, the date operations are transferred. Cardinal Innovations does not currently expect to assume the prior liabilities of MeckLINK. However, we appreciate that Mecklenburg County wishes to recover its advances, made through loans, to MeckLINK and we are open to discussing this issue.

4. Provide detailed information regarding your MCO's plan to establish a local presence in Mecklenburg County. Specifically, identify the number of staff and titles of staff your agency plans to maintain in Mecklenburg County.

Please see the response to Question G.1.

5. Provide information on the ability and willingness of your agency to assume a lease currently held by Mecklenburg County for MeckLINK offices.

As previously discussed, Cardinal Innovations will establish a local Community Operations Center, which will be based in Mecklenburg County. As a result, we are willing to consider the possibility of assuming a facility lease, currently held by Mecklenburg County, for that purpose in accordance with our requirements for size and location.

6. Describe the communications scheme that you would propose using to keep all involved parties informed about the progress of the merger project.

Cardinal Innovations will seek and develop opportunities to engage with consumers, providers, community organizations and stakeholders during the transition process to provide information and respond to questions and concerns. Some of this information will be provided through the community forums, other information will be provided to community groups, clear and convenient web-based information will be produced, and other materials will be available for direct distribution to consumers through Care Coordinators and providers.

7. Describe the risks associated with the merger project. What contingencies would you propose building in to mitigate those risks?

Cardinal Innovations has added 12 counties, either singularly or in groups, since 1997, and is well-experienced in the execution of expansions and transfers of operations. Development of a transition plan that is as comprehensive as possible is of critical importance for any transition. However, as with any plan, unexpected occurrences will arise. Cardinal Innovations' experience will make the transition process better because we have "lessons learned," and can better anticipate those unexpected issues that may arise. In our experience, the following are the biggest concerns for any transition:

- **Continuity of care for consumers:** It is a top priority to make the transition process as seamless as possible for consumers currently served by MeckLINK. Cardinal Innovations recently added new service areas when the constituent counties of three separate former LMEs chose to join us. We have a well-defined process that involves identifying high-risk consumers in care and ensuring that these individuals receive additional

support during the transition. Customizing this process for Mecklenburg County will require collaboration with MeckLINK clinical staff and care coordinators.

- **Engagement with MeckLINK:** It is important to plan the transition so that local issues and concerns are taken into consideration as the transition plan is developed.
- **Continuity of Staff:** Our experience with the addition of other service areas tells us that staff continuity is very important. We hope to bring significant numbers of MeckLINK staff over to Cardinal Innovations as part of the build-out of the Community Operations Center and our newly established Service Center.
- **Support from Mecklenburg County:** Cardinal Innovations will work hard to develop and nurture support from the Mecklenburg Board of County Commissioners, as well as from county agencies. This support will have strategic importance in how other community organizations respond to this change. Elected officials and Mecklenburg County agencies should have a positive experience with the transition and the resulting services provided to Mecklenburg consumers, and we value their advice and guidance in how to serve Mecklenburg County citizens.
- **Engagement with Stakeholders:** Support from Mecklenburg County system stakeholders will also be very important. Part of our implementation process is to conduct community forums so that we can talk directly with stakeholders. Some forums will be consumer and family focused, others will be focused on providers; still others will focus on issues important to community stakeholders. As part of the transition planning process, we will also look to county and former MeckLINK staff to help us identify community meetings where we can hear from Mecklenburg County stakeholders and to participate in these forums with us.
- **Continuity of Providers:** It is important to ensure that all MeckLINK providers are enrolled and prepared for participation in the Cardinal Innovations Network so there is no disruption in services or payments. Our goal will be to make the transition and enrollment process with Cardinal Innovations as simple as possible.

8. What steps would your organization take to ensure that this merger project transition/implementation runs smoothly?

A transition plan will be developed, in collaboration with MeckLINK, for the transfer of operations. This plan will provide critical information to sequence activities and determine numbers of staff that will be needed to help on either a short-term or long-term basis. We will request information about (i) consumers actively receiving services, (ii) consumers that are at high-risk for crisis, (iii) current authorizations that have been issued by MeckLINK, (iv) providers enrolled with MeckLINK, and (v) other critical information about consumer care.

Consumer enrollment data from the Medical Global Eligibility File (provided by the state) as well as enrollment data for consumers from MeckLINK should be available in advance of the transition date. This will ensure that consumers are enrolled in our system prior to the date of transfer. Clinical staffings between MeckLINK and Cardinal Innovations staff will be important to identify consumers that are considered high-risk, high-need and otherwise fragile so that special attention to their care during the transition occurs. MeckLINK staff that become Cardinal Innovations employees will be invaluable in this process by anticipating potential problems and helping us plan to address these in advance or in developing contingency plans. We hope to be able to offer positions to MeckLINK staff as early in the transition process as possible so that

most staff can stay employed with MeckLINK until the date of transfer. The certainty of employment will ensure that MeckLINK is staffed and can operate during the transition period.

The transition of people actively engaged in the treatment process will be similar to the process used to transition service management from ValueOptions to Cardinal Innovations. Data submitted to us will be used to ensure authorizations are in place and consumers receive care. Continuity of care is the primary goal during the transition process, and our protocols ensure that consumers continue care as seamlessly as possible. Cardinal Innovations will need contract and consumer-specific data on how state funds are spent, a list of providers contracted to provide state-funded services, and the specific services contracted with each provider. This information will be critical for maintaining continuity of care for people supported with state funds.

Because we envision bringing over existing Mecklenburg providers, we believe that any disruption in care will be minimal. This has been the case when we have added service areas in the past. The ability to continue with the same provider is a strong preference for most consumers, one that we take seriously and will provide for to the greatest extent possible. As mentioned earlier, prior to the transition, we will hold educational forums around Mecklenburg County so that we can provide information to consumers and families. We will also seek partnerships with Social Service agencies, churches and other community groups so that they are informed and can be helpful in providing information to people that will need to know about the change.

L. Miscellaneous

Cardinal Innovations

- 1. Provide a copy of the monthly State report your agency submitted in August with DMA / DMH data for January 2013 – July 2013.**

Please see attached Exhibit G, Cardinal Innovations' monthly MCO report submitted in August, 2013.

- 2. How do you work with consumers and providers and how do you involve them in development of your service delivery system?**

Cardinal Innovations believes that consumers and their families must be engaged at all levels of the system. Consumers and family members are employed in advocacy roles in the Cardinal Innovations Office of Consumer Affairs. The Director of Consumer Affairs works with other executives in our corporate office to ensure we have consumer and family input at the highest levels of our organization. Consumer feedback is also routinely obtained directly in community forums and through satisfaction surveys.

Similarly, Cardinal Innovations welcomes a high level of engagement with providers. Cardinal Innovations sponsors a number of operational committees where staff, providers and consumers collaborate to address problems. Forums for collaboration among the people that are served, the providers that provide the services and the MCO are essential in order to make the many adjustments in system management that are needed over time.

Mecklenburg consumers and providers will be invited to participate in operational committees as we establish these specifically for Mecklenburg County. Types of committees include Provider Council, System of Care, Housing Continuum and Continuous Quality Improvement committees.

3. Have you developed new services in the past two years paid with Medicaid savings? If so, please explain the service, population, cost, etc.

Over the past seven years Cardinal Innovations has invested \$4.7 million of savings in the community service system, including projects such as the renovation of a crisis facility in Cabarrus County, the purchase and renovation of a crisis facility in Union County, vocational facility expansion, start-up funding for providers, and grants to support expansion of psychiatric care and telemedicine.

Additionally, Medicaid savings from the first three years of waiver operations were invested in new services available through Managed Care Waivers called b(3) services. Approximately \$9.3 million has been spent on b(3) services from June 2008 through June 2011. The b(3) services include respite care for children with mental health and substance use conditions, peer support, individual support for people with mental illness living in their own homes, supported employment for people with intellectual and developmental disabilities, as well as funding to support people with intellectual and developmental disabilities in moving from an ICF-MR facility to a community based setting.

4. How do you plan to combine the MeckLINK Consumer and Family Advisory Committee into your MCO advisory committee structure?

Similar to our two-tiered governance structure, Cardinal Innovations has established a two-tiered Consumer and Family Advisory Committee (CFAC) system. In our most recent expansion, we maintained each local CFAC that supported each former LME, creating four local CFACs that supported each Community Operations Center. Additionally, we have established a Regional CFAC, which consists of three representatives (one representative from each disability) from each of the four local CFACs. A member of the Regional CFAC is appointed to the Cardinal Innovations Governing Board.

MeckLINK's current CFAC will be maintained as it is currently and three members (one representative from each disability) will be appointed to the Regional CFAC.

5. How do you plan to combine the MeckLINK Provider Council into your MCO advisory committee structure?

Cardinal Innovations currently has established four local provider network councils (Provider Councils); one for each Community Operations Center. Cardinal Innovations will develop and convene a local network council for the Community Operations Center in Mecklenburg County.

Membership of the Provider Council in Mecklenburg County will consist of elected providers for the following categories: three providers of developmental disability services; at least one provider of mental health adult services; at least one provider of mental health child services; at least one member who provides substance use/abuse services; the local comprehensive community clinic, as applicable; four outpatient providers (two of whom are LIP or LIP agency

representative); as well as two consumers/family members; one hospital provider located within the service area; and Cardinal Innovations staff, as necessary. Local provider councils work with the Community Operations Centers to plan training events, meetings for network providers, and to address local needs and concerns.

Lastly, each Provider Council reports to the Cardinal Innovations' Regional Network Council which is comprised of the president and vice president for each local Provider Council; two consumers and/or family members appointed by the Regional Consumer and Family Advisory Committee; and Cardinal Innovations staff, as necessary. The Regional Network Council functions as an essential advisory committee to Cardinal Innovations to inform global systemic issues regarding the provider network.



