

Annual Report on Use of Funds to Purchase Inpatient Alcohol and Substance Use Disorder Treatment Services

Session Law 2020-78, Section 4E.2



Report to

**Joint Legislative Oversight Committee on
Health and Human Services
and**

Fiscal Research Division

by

**North Carolina
Department of Health and Human Services**

September 4, 2026

Background

Pursuant to Session Law 2020-78, as shown below, the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall report annually, beginning September 1, 2020, and ending on September 1, 2026, on the implementation of the use of funds to purchase inpatient alcohol and substance use disorder treatment services for the prior fiscal year and the two preceding fiscal years to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division. **The purpose of this report is to satisfy this reporting requirement for the use of funds to purchase inpatient alcohol and substance use disorder treatment services for state fiscal years 2024, 2025, 2026.**

“Session Law 2020-78. Report on the use of funds to purchase inpatient alcohol and substance use disorder treatment services; Section 4E.2.

The Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall report annually, beginning September 1, 2020, and ending on September 1, 2026, on the implementation of the use of funds to purchase inpatient alcohol and substance use disorder treatment services required by Section 12F.12 of S.L. 2015-241, as amended by Section 11F.4 of S.L. 2017-57. The report shall be submitted to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division with the following information for the prior fiscal year and the two preceding fiscal years, for each Alcohol and Drug Abuse Treatment Center (ADATC):

- (1) The number of beds in operation.
- (2) The number of bed days.
- (3) The total amount of receipts, the amount of those receipts that were received from local management entities/managed care organizations, and the amount of those receipts that were received from all other sources.
- (4) Cost of operation of the ADATC, with personnel and staffing costs reported separately from all other costs.
- (5) The ADATCs profit or loss.”

Key Developments

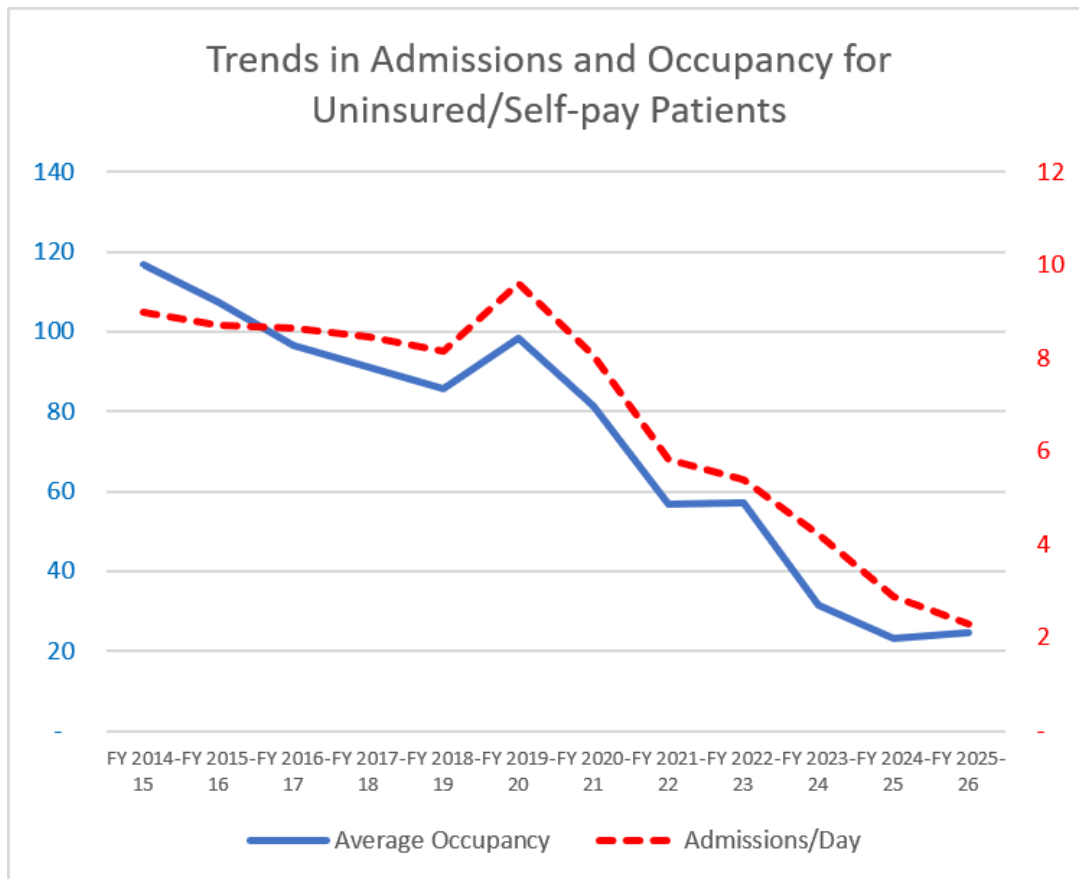
- The Division of State Operated Health Facilities (DSOHF) implemented the Epic Electronic Health Record (EHR) on August 1, 2025, and we continue to refine the system to enhance efficiency and patient care.
- During this fiscal year, Julian F. Keith (JFK) ADATC increased its bed capacity to 65, and Walter B. Jones (WBJ) ADATC increased its capacity to 48. Despite these expansions, both facilities continue to face staffing shortages, particularly among Registered Nurses (RN) and Healthcare Technicians (HCT), which have limited their ability to operate at full capacity. At JFK, this challenge has been especially evident on third shift due to nursing shortages.

- Since the enactment of S.L. 2015-241, Medicaid Expansion has had the most significant impact on the payer mix. Local Management Entities/Managed Care Organizations (LME/MCOs) are utilizing ADATCs at similar rates as they did in SFY 25, indicating that there has not been a substantial increase in community-based services to support the level of patient acuity served at the ADATCs.

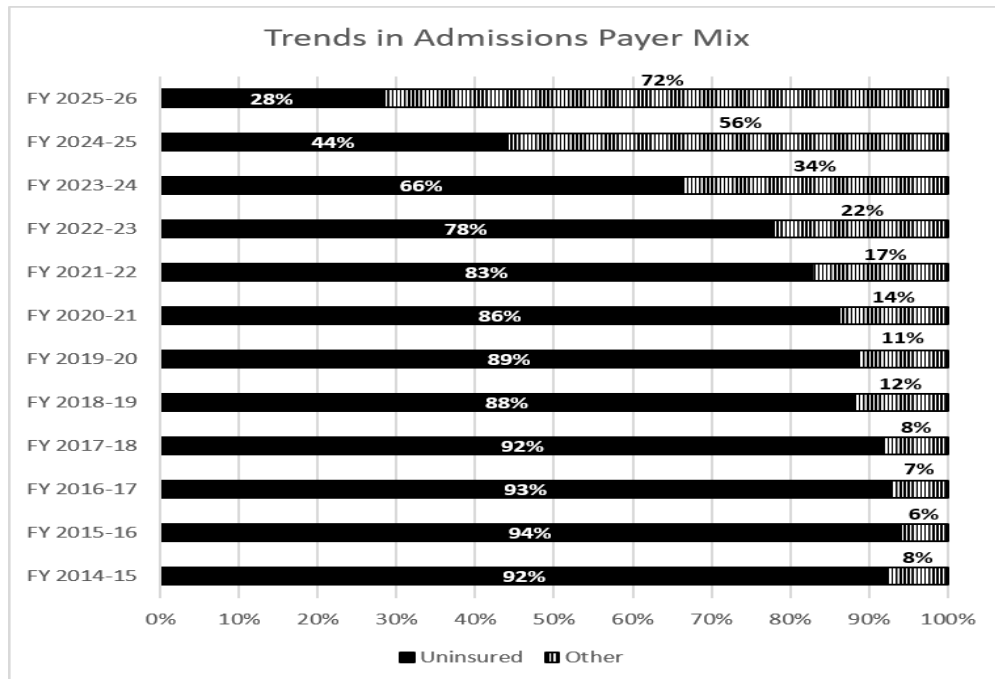
Ongoing Efforts

- Addressing staffing challenges through recruitment and retention initiatives
- Presenting at statewide conferences to increase awareness of ADATC services

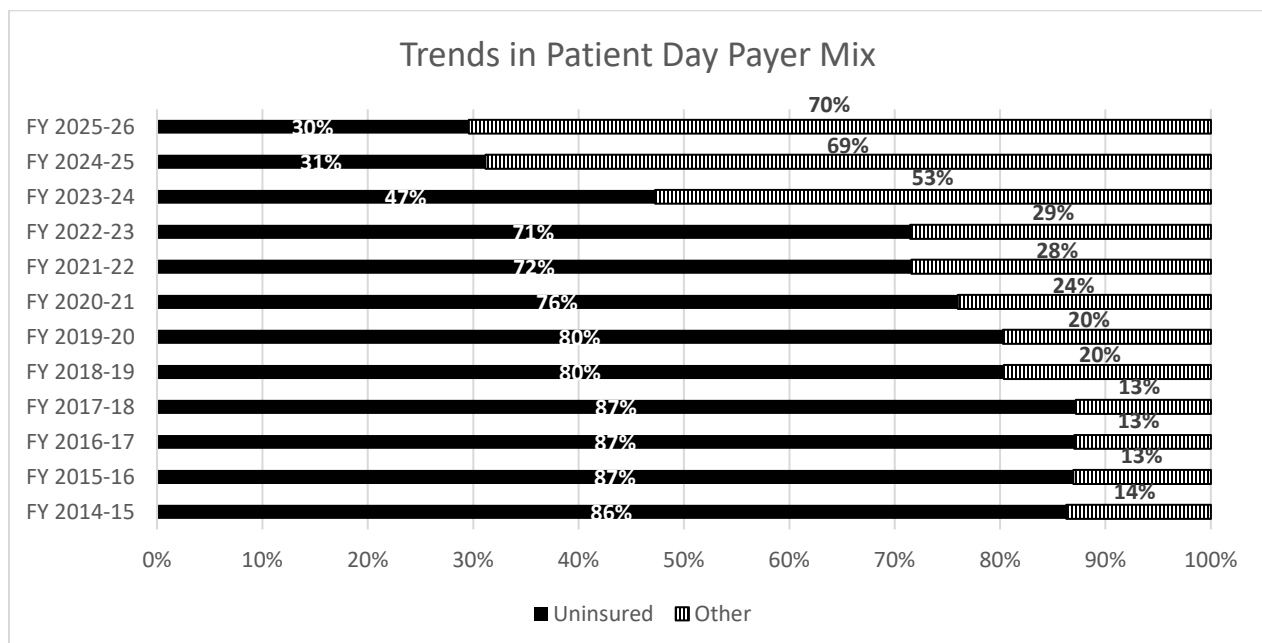
In SFY 26, 28.3% of all patients admitted were uninsured/self-pay and 29.6% of patient days were uninsured/self-pay. The following chart reflects the trends in admissions per day and average occupancy at the ADATCs for uninsured/self-pay patients:



Due in large part to Medicaid expansion and becoming an in-network provider with numerous commercial insurances, the patients admitted to the ADATCs have increasingly been covered by funding sources other than the allocation to the LME/MCOs. This is reflected in the charts below:



Patient Days have reflected similar trends in admissions as reflected in the chart below:



The “Other” category includes individuals with Medicare, Commercial Insurance and Medicaid.

The table below presents the trends in % of those covered by Medicaid and non-Medicaid plans. Individuals identified as having 3rd party coverage, other than Medicaid, may not have MH/SA benefits covered, could be out-of-network, could have out-of-state coverage, or could have exhausted benefits for inpatient services and may end up being self-pay when admitted to an ADATC.

	<i>Third Party</i>	<i>Medicaid</i>
FY 2014-15	7.2%	0.4%
FY 2015-16	5.5%	0.6%
FY 2016-17	6.7%	0.6%
FY 2017-18	6.9%	1.1%
FY 2018-19	6.3%	5.7%
FY 2019-20	5.2%	6.3%
FY 2020-21	5.1%	8.7%
FY 2021-22	6.0%	11.2%
FY 2022-23	8.2%	14.2%
FY 2023-24	10.9%	22.8%
FY 2024-25	13.6%	42.6%
FY 2025-26	13.5%	58.2%

(1) The number of beds in operation.

The number of beds in operation is defined as the total number of beds that are currently staffed on the last day of the month. This is captured monthly, at a point in time and averaged across the 12 months in the state fiscal year.

Operational Beds			
ADATC	SFY24	SFY25	SFY26
JFK	59	54*	65
WBJ	35	45	48

*Impacted by Hurricane Helene

(2) The number of bed days.

A bed day is a day during which a patient is admitted and stays overnight at the ADATC. The total number of bed days is inclusive of all ADATC services provided during the admission.

Bed Days			
ADATC	SFY24	SFY25	SFY26
JFK	15,871	13,973*	17,283
WBJ	8,587	13,082	13,245

*Impacted by Hurricane Helene

(3) The total amount of receipts, the amount of those receipts that were received from local management entities/managed care organizations, and the amount of those receipts that were received from all other sources as reported in the BD701.

Total Amount of Receipts									
SFY	SFY24[#]			SFY25^{**&}			SFY26^{&&}		
ADATC	LME/MCO	Other*	Total	LME/MCO	Other*	Total	LME/MCO	Other*	Total
JFK	\$16,489,290.99	\$7,787,255.53	\$24,276,546.52	\$16,405,052.11	\$12,514,096.00	\$28,919,148.11	\$13,792,210.95	\$15,815,607.33	\$29,607,818.28
WBJ	\$7,662,708.34 ^{##}	\$4,734,911.04	\$12,397,619.38	\$17,860,380.44	\$11,584,446.79	\$29,444,827.23	\$16,628,736.30	\$9,130,303.57	\$25,759,039.87

*Other includes self-pay/government benefits, third party, Medicare, non-Medicaid, Medicaid and non-patient receipts.

[#]SFY24 data from BD701 for the period ending date June 2024.

^{##}Trillium LME/MCO had an outstanding balance of \$3,770,218.42 (\$3,758,283.18 in monthly payments from their non-UCR funds and \$11,935.24 from excess days).

^{**}JFK impacted by Hurricane Helene

[&]SFY25 data from BD701 for the period ending date June 2025 pulled 7/29/25.

^{&&}SFY26 data from BD701 for the period ending date June 2026 pulled 8/3/26.

(4) Cost of operation of the ADATC, with personnel and staffing costs reported separately from all other costs.

The total operating costs are inclusive of personnel and staffing services and non-salary expenditures.

Cost of Operation									
SFY	SFY24[#]			SFY25^{**&}			SFY26^{&&}		
ADATC	Personnel & Staff Expenses	All Other Expenses	Total Operating Costs	Personnel & Staff Expenses	All Other Expenses	Total Operating Costs	Personnel & Staff Expenses	All Other Expenses	Total Operating Costs
JFK	\$14,740,740.39	\$8,592,860.93	\$23,333,601.32	\$14,961,647.82	\$6,428,591.35	\$21,390,239.17	\$13,943,961.12	\$8,896,303.45	\$22,840,264.57
WBJ	\$11,904,351.49	\$7,738,112.45	\$19,642,463.94	\$11,904,351.49	\$7,738,112.45	\$19,642,463.94	\$11,668,187.59	\$9,363,864.72	\$21,032,052.31

[#]SFY24 data from BD701 for the period ending date June 2024.

^{**}JFK impacted by Hurricane Helene

[&]SFY25 data from BD701 for the period ending date June 2025 pulled 7/29/25.

^{&&}SFY26 data from BD701 for the period ending date June 2026 pulled 8/3/26.

(5) The ADATCs profit or loss.

The profit or loss is derived from deducting the total expenditures from the total revenues (with accrual).

Profit or Loss			
ADATC	SFY24 [#]	SFY25 ^{**&}	SFY26 ^{&&}
JFK	\$942,945	\$7,528,908.94	\$6,767,553.71
WBJ	(\$7,244,845) ^{##}	\$8,682,464.08	\$4,726,987.56

[#]SFY24 data from BD701 for the period ending date June 2024.

^{##}Upon receipt of Trillium funds due, loss will be (\$3,474,626). Trillium paid their balance in full in July 24, so the funds were credited in FY 25.

^{**}JFK impacted by Hurricane Helene

[&]SFY25 data from BD701 for the period ending date June 2025 pulled 7/29/25.

^{&&}SFY26 data from BD701 for the period ending date June 2026 pulled 8/3/26.