Funds for Local Inpatient Psychiatric Beds or Bed Days Purchased in State Fiscal Year 2022-2023 and Other Department Initiatives to Reduce State Psychiatric Hospital Use

Session Law 2021-180, Section 9F.4.

Report to the

Joint Legislative Oversight Committee on Health and Human Services

and

Fiscal Research Division

By

North Carolina Department of Health and Human Services

March 8, 2024

REPORTING REQUIREMENTS

S.L. 2021-180, Section 9F.4.(f). Reporting by Department. – By no later than December 1, 2022, and by no later than December 1, 2023, DHHS shall report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division on all of the following:

(1) A uniform system for beds or bed days purchased during the preceding fiscal year from (i) existing State appropriations and (ii) local funds.

(2) An explanation of the process used by DHHS to ensure that, except as otherwise provided in subsection (a) of this section, local inpatient psychiatric beds or bed days purchased in accordance with this section are utilized solely for individuals who are medically indigent, along with the number of medically indigent individuals served by the purchase of these beds or bed days.

(3) The amount of funds used to pay for facility-based crisis services, along with the number of individuals who received these services and the outcomes for each individual.

(4) The amount of funds used to pay for nonhospital detoxification services, along with the number of individuals who received these services and the outcomes for each individual.

(5) Other DHHS initiatives funded by State appropriations to reduce State psychiatric hospital use.

USE OF FUNDS AND DISTRIBUTION AND MANAGEMENT OF BEDS/BED DAYS

S.L. 2021-180, Section 9F.4.(a). Funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Use Services, shall continue to be used for the purchase of local inpatient psychiatric beds or bed days. The Department of Health and Human Services (DHHS) shall continue to implement a two-tiered system of payment for purchasing these local inpatient psychiatric beds or bed days based on acuity level with an enhanced rate of payment for inpatient psychiatric beds or bed days for individuals with higher acuity levels, as defined by DHHS. The enhanced rate of payment for inpatient psychiatric beds or bed days for individuals with higher acuity levels shall not exceed the lowest average cost per patient bed day among the State psychiatric hospitals. In addition, at the discretion of the Secretary of Health and Human Services, existing funds allocated to LME/MCOs for community-based mental health, developmental disabilities, and substance abuse services may be used to purchase additional local inpatient psychiatric beds or bed days.

S.L. 2021-180, Section 9F.4.(b) Distribution and Management of Beds or Bed Days. – DHHS shall work to ensure that any local inpatient psychiatric beds or bed days purchased in accordance with this section are utilized solely for individuals who are medically indigent, except that DHHS may use up to ten percent (10%) of the funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the purchase of local inpatient psychiatric beds or bed days to pay for facility-based crisis services and nonhospital detoxification services for individuals in need of these services, regardless of whether the individuals are medically indigent. For the purposes of this subsection, "medically indigent" shall mean uninsured persons

who (i) are financially unable to obtain private insurance coverage, as determined by DHHS, and (ii) are not eligible for government-funded health coverage such as Medicare or Medicaid.

In addition, DHHS shall work to ensure that any local inpatient psychiatric beds or bed days purchased in accordance with this section are distributed across the State and according to need, as determined by DHHS. DHHS shall ensure that beds or bed days for individuals with higher acuity levels are distributed across the State and according to greatest need based on hospital bed utilization data. DHHS shall enter into contracts with LME/MCOs and local hospitals for the management of these beds or bed days. DHHS shall work to ensure that these contracts are awarded equitably around all regions of the State. LME/MCOs shall manage and control these local inpatient psychiatric beds or bed days, including the determination of the specific local hospital or State psychiatric hospital to which an individual should be admitted pursuant to an involuntary commitment order.

NORTH CAROLINA'S UNIFORM SYSTEM FOR BEDS/BED DAYS

North Carolina's uniform system for beds or bed days consists of (i) Three-Way Bed State appropriations, (ii) other State appropriations, and (iii) Local Funds.

I. Three-Way Beds

Overview

Each state fiscal year a dedicated portion of local psychiatric and substance use inpatient beds or bed days are funded by direct legislative appropriations and are administered by the Department of Health and Human Services (DHHS), Division of Mental Health, Developmental Disabilities, and Substance Use Services (DMH/DD/SUS) via contracts with Local Management Entities/Managed Care Organizations (LME/MCOs) and Community Hospitals. These contracts are referred to as "Three-Way Contracts," to reflect the partnership and contractual obligations of these three entities (DMH/DD/SUS, LME/MCOs, and Community Hospitals).

The overarching goal of these contracts is to ensure funding and accessibility to medically indigent patients in need of a psychiatric bed. Community Hospitals are legally mandated to provide this care as a requirement of the federal Emergency Medical Treatment and Labor Act. In order to meet this requirement, community hospitals must make beds available to admit persons who are eligible for Three-Way Contract psychiatric inpatient services and whose care is authorized by the LME/MCOs. As a requirement of utilization of Three-Way contract dollars, the patient must be medically indigent and not eligible for government funded insurance programs such as Medicaid. For these patients, community hospitals deliver the inpatient treatment and then submit claims to the LME/MCOs for reimbursement. The LME/MCOs adjudicate the claims, and then pay the hospitals for the episodes of care that were authorized and adjudicated for payment. The LME/MCOs then submit claims to DMH/DD/SUS via NCTracks, the multi-payor Medicaid Management Information System for NC DHHS, for adjudication and reimbursement.

In order to ensure that funding is adequately allocated according to the needs of each hospital, a methodology was established to equitably distribute Three-Way Contract funding across the State. DMH/DD/SUS estimated the need for psychiatric inpatient care for medically indigent adults via a formula that uses disposition data from hospital emergency departments (ED) to determine the regional (LME/MCO service area) need for psychiatric inpatient care. Funding for an LME/MCO service area's Three-Way contract was based on estimated psychiatric inpatient need, as a proportion of overall estimated need across the State and calculated as a proportionate share of the total budget for Three-Way contract funding at the beginning of the State Fiscal Year.

The amount for each LME/MCO & hospital contract was derived as a portion of the total Three-Way funding associated with each LME/MCO service area and was calculated by accounting for population data, operational bed capacity, and prior year utilization of funds. At the start of State Fiscal Year (SFY) 2023, 30 Three-Way Contracts for psychiatric and substance use inpatient care were executed.

Two-tiered rates have been implemented as directed by S.L. 2021-180, based on the level of behavioral, psychiatric, and/or co-morbid medical acuity of the persons served. DMH/DD/SUS established the lower rate (procedure code: YP 821) at $750 per bed day and the higher rate (procedure code: YP 822) at $900 per bed day. Attachment 1 provides a map of the community hospitals in LME/MCO service areas along with the approximate number of Three-Way contract beds that correspond to each contract amount, calculated for 100% utilization of the beds.

The total amount paid to the LME/MCOs for Three-Way psychiatric and substance use inpatient care out of the SFY 2023 budget was $39,562,508. In turn, the LME/MCOs paid the community hospitals for their Three-Way Contract services. During SFY 2023, a total of 62,183 bed days were purchased for service provided between July 1, 2022 and June 30, 2023; 6,264 persons (unduplicated count) were served as a result of the Three-Way Contract funding.

Ensuring Funds are Used Solely for Persons Who are Medically Indigent

DMH/DD/SUS ensures that the local inpatient beds or bed days purchased in accordance with S.L. 2021-180, Section 9F.4.(b)(a) are used "solely for individuals who are medically indigent" consistent with the requirements contained within Three-Way Contract. The State ensures that these individuals are medically indigent through the claims' adjudication process employed in NCTracks.

Each Three-Way Contract contains the following pertinent excerpts presented in part:

> The primary purpose of this contract is for the establishment and usage of New Local Psychiatric Inpatient Bed Capacity at the local community level to cover the cost of indigent acute care. (p. 1; Initial paragraph, stating the purpose of contract)
> The patient shall be medically indigent (uninsured), 18 years of age or older… (*Utilization Management Options for Admissions,* pp. 6, 7)

NCTracks adjudicates claims for payment for Three-Way Contract psychiatric and substance use inpatient services that were provided only to persons who had no other health insurance payer for

that inpatient care; that is, these claims are only for those who were medically indigent. NCTracks' adjudication process includes the identification of other existing health insurance payers for the person whose inpatient service is reflected by the claim. If another existing health insurance payer is discovered that covers the inpatient service, NCTracks will deny the claim, thereby ensuring that the Three-Way Contract funds are used solely for persons who are medically indigent.

In total, 6,264 (unduplicated count) North Carolinians were served by the purchase of Three-Way Contracts in SFY 2023.

II. Carved out Funding for Facility-Based Crisis and Non-Hospital Medical Detoxification

Due to increased utilization of the Three-Way Contracts for psychiatric and substance use inpatient care since SFY 2017 and continuing through SFY 2023, none of the appropriated funding for Three-Way Contracts was carved out to pay for Facility Based Crisis or Non-Hospital Medical Detoxification in SFY 2023.

III. Other State Funded Inpatient Care in SFY 2023

Other State Funded Inpatient Care in SFY 2023

Other state funding was used by the LME/MCOs to pay for psychiatric and substance use inpatient services that were delivered by community hospitals during SFY 2023. In addition to the Three-Way Contract psychiatric and substance use inpatient services provided by way of S.L. 2021-180, appropriation summarized above, the North Carolina General Assembly appropriated funds, known as Single-Stream funding, to the LME/MCOs to pay for a continuum of services to people without health insurance coverage for mental health, substance use, and intellectual and developmental disabilities services and supports. In SFY 2023, the funding from Single-Stream, used by the LME/MCOs to purchase psychiatric and substance use inpatient care for persons who were medically indigent, totaled $8,803,950. Those funds paid for 14,115 bed days for psychiatric inpatient care to 1,481 (unduplicated count) individuals in community hospitals.

IV. Other Department Initiatives Funded by State Appropriations to Reduce State Psychiatric Hospital Use

The initiatives described below are intended to divert individuals who experience behavioral health crises from seeking psychiatric or substance use crisis response from EDs. These initiatives offer alternative crisis response, when people with behavioral health crises are successfully diverted from ED visits, the need for psychiatric and substance use inpatient hospital care is reduced.

Certified Community Behavioral Health Clinics

In October 2015, the DMH/DD/SUS was awarded a planning grant for Certified Community Behavioral Health Clinics (CCBHC) from the U. S. Substance Use and Mental Health Services Administration (SAMHSA). Since this time, DMHDDSUS has established four CCBHC clinics which are managed by LME/MCOs. According to SAMHSA, the Certified CCBHC model is designed to ensure access to coordinated comprehensive behavioral health care. CCBHCs are required to serve anyone who requests care for mental health or substance use, regardless of their ability to pay, place of residence, or age - including developmentally appropriate care for children and youth.

In order to be eligible to be a CCBHC, SAMHSA requires that agencies or clinics must be one or more of the following:

- A non-profit organization, exempt from tax under Section 501(c)(3) of the United States Internal Revenue Code;
- Part of a local government behavioral health authority;
- Operating under the authority of the Indian Health Service, an Indian tribe, or tribal organization pursuant to a contract, grant, cooperative agreement, or compact with the Indian Health Service pursuant to the Indian Self-Determination Act (25 U.S.C. 450 et seq.);
- An urban Indian organization pursuant to a grant or contract with the Indian Health Service under Title V of the Indian Health Care Improvement Act (25 U.S.C. 1601 et seq.).

As of September 2023, the four CCBHC clinics supported by DMHDDSUS served 12,751 people (unduplicated count) in SFY2023. These clinics are managed by State LME/MCO's and are as follows:

- Anuvia Prevention and Recovery Center, located in Charlotte, served 3,700 individuals
- B&D Integrated Health Services, located in Durham, served 1,646 individuals
- Mountain Area Health Education Center, located in Asheville, served 4,148 individuals
- Southlight Healthcare, located in Raleigh, served 3,257 individuals.

Behavioral Health Urgent Care and Facility Based Crisis

In SFY 2013, the NC General Assembly appropriated funding for Facility Based Crisis (FBC) centers and Behavioral Health Urgent Care Centers (BHUC) to serve as alternatives to EDs and inpatient hospitalization for persons who experience crises related to mental health, substance use, or intellectual/developmental disabilities diagnoses. S.L. 2014-100, Section 12F.5.(a) defines BHUC as follows:

> *Behavioral Health Urgent Care Center. – An outpatient facility that provides walk-in crisis assessment, referral, and treatment by licensed behavioral health professionals with prescriptive authority to individuals with an urgent or emergent need for mental health, intellectual or developmental disabilities, or substance abuse services.*

North Carolina has ten (10) BHUCs (i.e., Tier IV BHUCs) and all of the BHUCs operate on a 24-hour, seven days per week basis.

FBC's are licensed residential facilities under Rule 10A NCAC 27G Section .5000, *Facility Based Crisis Service for Individuals of All Disability Groups,* and provide facility-based crisis service as described in Rule 10A NCAC 27G .5001. The State currently has 20 adult FBC Service sites, 13 of those are designated for the treatment of persons who are under involuntary commitment (IVC). The 20 FBC's have 303 beds to offer alternative treatment to inpatient hospitalization.

In addition, North Carolina has expanded the crisis response services to include Child FBCs. The State currently has four fully operational Child FBC Service sites, all of them being designated for the treatment of persons who are under voluntary and IVC. Each Child FBC services site has up to 16-beds providing care and treatment for children and adolescents ages six through seventeen, who need crisis stabilization services and 24-hour supervision due to a mental health crisis, substance use or withdrawal from drugs or alcohol; each site provides access to timely, age-appropriate mental health care during a time of crisis. Each site also provides crisis care to young people with intellectual or developmental disabilities.

The four Child FBCs that are currently operational are.

- SECU Youth Crisis Center, developed through a partnership between Cardinal Innovations LME/MCO and Monarch, opened in Charlotte on December 29, 2017.
- Caiyalynn Burrell Crisis Center for Children, developed through the partnership between Vaya Health LME/MCO and Family Preservation Services of North Carolina, opened in Asheville on June 21, 2018; the management of operations for this facility changed to Daymark Recovery Services.
- Sandhills Center LME/MCO has partnered with Cone Health healthcare system, the Guilford County Commissioners, and Alexander Youth Network to develop a Child FBC in Greensboro located and currently operating in Guilford County as of August 19, 2022.
- Sandhills Center LME/MCO partnered with Daymark Recovery Services to open the Richmond Child Facility-Based Crisis which began operations as anticipated in August 2022.

Alliance Health LME/MCO has partnered with Kids Peace to develop a Child FBC/BHUC in Fuquay-Varina, located in Wake County. Kids Peace will be opening a Child FBC to its already existing Tier IV BHUC, which is already serving the community 24/7.

Some of the Tier IV BHUC sites are equipped with additional resources to help stabilize individuals in crisis. These resources are 23-hour crisis stabilization/observation beds, which provide supervised care to de-escalate behavioral health crises and reduce the need for emergent care. This service provides prompt assessments, stabilization and links consumers to the appropriate level of care. The intended outcome is to avoid unnecessary hospitalizations for people experiencing crises that may resolve with time and observation.

Together, Tier IV BHUCs and FBCs provide alternative routes for crisis stabilization that allow individuals in crisis to completely avoid an ED visit. The BHUCs function as effective alternatives to EDs for persons in behavioral health crisis who are not experiencing any

significant medical distress. Like EDs, BHUCs are capable of providing first evaluations for IVC, and are able to refer persons needing crisis stabilization to either a hospital inpatient level of care, an FBC level of care, or an intensive outpatient level of care, depending on an individual's needs. FBCs function as local alternatives to an inpatient level of care, and typically provide three to five days of behavioral health crisis stabilization in a unit of 16 beds or less, including treatment of persons who are under involuntary commitment.

BHUC's serve as an alternative to EDs which are often the entry point for inpatient psychiatric hospitalizations. These centers can often triage and de-escalate individuals in crisis as well as educate individuals regarding proper ED utilization and refer individuals to the appropriate level of care. They can also prescribe psychiatric medications to reduce symptoms and prevent inpatient hospitalizations.

Attachment 2 provides a map of the BHUCs and FBCs throughout the state, indicating the LME/MCO service area and county.

Mobile Crisis Management

Mobile Crisis Management is a fee-for-service, state-funded crisis response, stabilization, and prevention service. It is funded through appropriations that continue to be allocated through Single Stream funding to LME/MCOs. This enhanced service is available 24 hours a day, seven days a week, 365 days a year, and is part of the service array for uninsured persons. In SFY 2023 there were 4,705 mobile crisis episodes of care.

Non-Hospital Medical Detoxification

Non-Hospital Medical Detoxification is a state-funded service that provides 24-hour medically supervised evaluation and withdrawal management in a hospital or a free-standing facility. This enhanced service is funded through appropriations that continue to be allocated through single stream funding to LME/MCOs. This service is available 24 hours a day, seven days a week, 365 days a year, and is part of the service array for uninsured persons. In SFY 2023, approximately 672 people received Non-Hospital Medical Detoxification.

Transitions to Community Living

On August 23, 2012, the State of North Carolina signed a Settlement Agreement with the United States Department of Justice concerning community integration of individuals with severe mental illness (SMI) and severe and persistent mental illness (SPMI) in or at risk of entry into adult care homes. As outlined in the Department of Justice (DOJ) Settlement Agreement, the State has agreed to 1) develop and implement effective measures to prevent inappropriate institutionalization and 2) provide adequate and appropriate public services and supports identified through person centered planning in the most integrated setting appropriate to meet the needs of individuals with SMI or SPMI.

NC's response to this settlement is known as the Transitions to Community Living (TCL) initiative which provides eligible adults living with SMI the opportunity to choose where they live, work, and play in North Carolina. This initiative promotes recovery through providing long-term housing, community-based services, supported employment and community

integration. As an additional supportive measure TCL provides community based mental health services through Assertive Community Treatment and/or Community Support Teams.

In addition to integration into the community through employment and housing, these services also provide crisis support through intensive case management which seeks to divert hospitalization by connecting the individual with a mental health provider. In addition, ongoing medication management and support are provided when the individual is in crisis. Individuals receiving these services are directed to the correct level of care so as to divert hospitalization through proactive case management and education on proper ED utilization.

An Assertive Community Treatment team consists of a community-based medical, behavioral health and rehabilitation professionals who use a team approach to meet the needs of an individual with severe and persistent mental illness. These services are person-centered and are intended to connect the individual to mental health services as well as to supporting them in achieving personal goals. The Assertive Community Treatment team delivers all services according to a recovery-based philosophy of care. In SFY 2023, $8,671,753 in single stream funds was used to provide Assertive Community Treatment services. Services were provided for 817 individuals.

Community Support Teams is a service consisting of community-based mental health and substance use services, and structured rehabilitative interventions intended to increase and restore an individual's ability to live successfully in the community. The team approach involves structured, face-to-face therapeutic interventions. This is an intensive community-based rehabilitation team service that provides direct treatment and restorative interventions as well as case management. In SFY 2023, $5,283,960 in single stream funding was used to pay for these services. These services were provided to 822 individuals.

Increasing Behavioral Health Inpatient and Facility Based Crisis Beds via Dorothea Dix Hospital Property Fund Contracts

The Dorothea Dix Hospital Property Fund (DDHPF) supported seven construction contracts to convert existing licensed, acute hospital inpatient beds to licensed psychiatric or substance use inpatient beds or to create new licensed psychiatric or substance use inpatient beds. An eighth construction contract was executed to develop new beds in a Facility Based Crisis program located in Onslow County. Six of those projects have been completed; one is on-going, and another project could not proceed due to required changes in design that would have resulted in costs far exceeding the contract amount.

Upon completion of the construction projects noted above, at least 50% of the newly licensed beds are required to be reserved for "(i) purchase by the Department under the State-administered, Three-Way Contract and (ii) referrals by local management entities/managed care organizations (LME/MCOs) of individuals who are indigent or Medicaid recipients." That requirement is found in Session Law 2016-94, Section 12F.4.(b) and S.L. 2017-57, Section 11F.5.(d) as amended by Session Law 2018-5, Section 11F.2.

Of the 157 beds located in renovated or newly constructed facilities, 141 are psychiatric inpatient beds in community hospitals and 16 beds are in a Facility-Based Crisis program. The DDHPF

funded contract underway, but not yet complete, with Onslow County will add an additional 16 adult FBC beds.

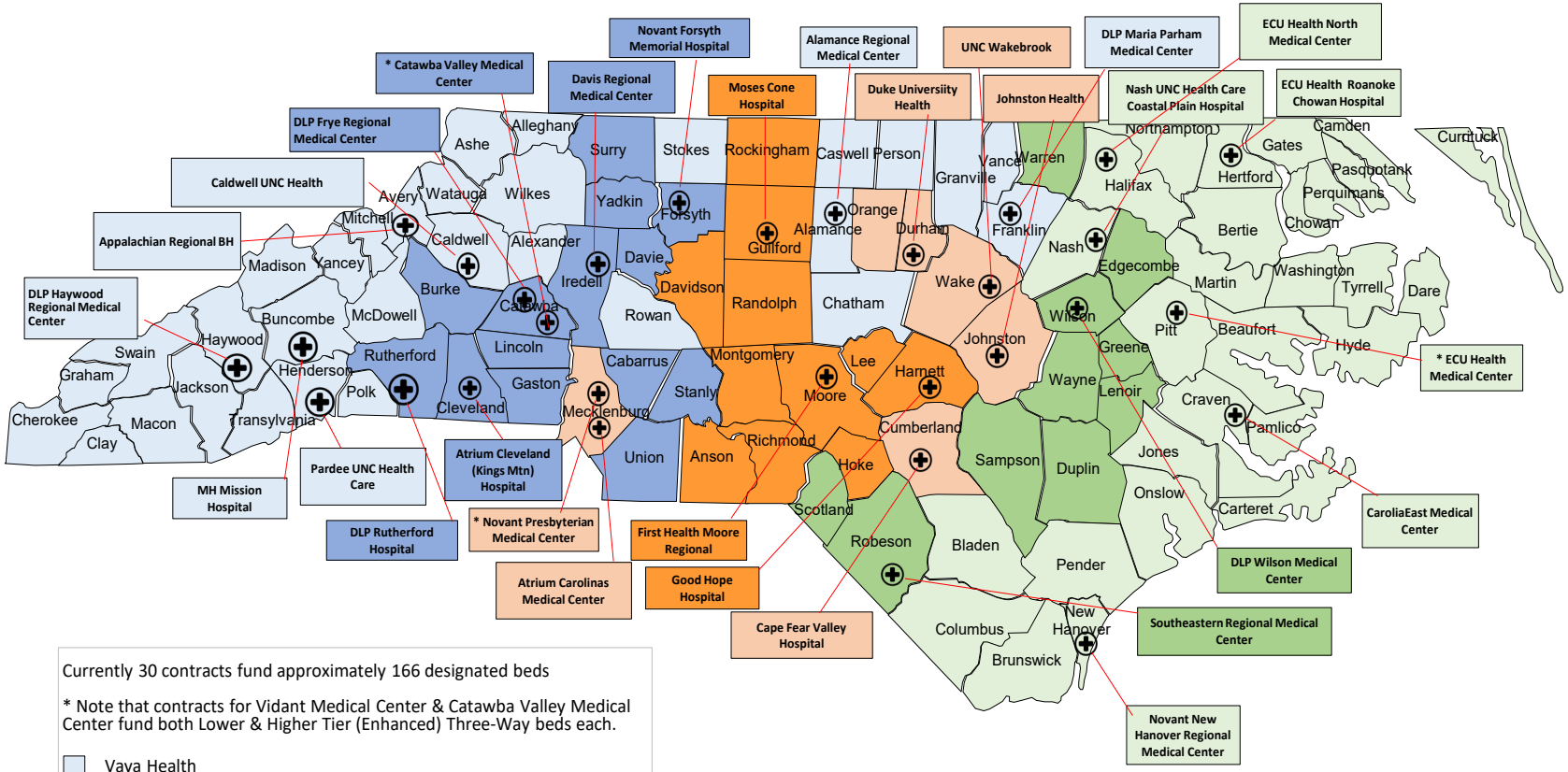
For SFY 2023 the six completed projects reported a total of 21,984 bed days of behavioral health care provided to people who had Medicaid, no health insurance (medically indigent), or whose health coverage was identified as other or unknown.

Additional funds from the DDHPF were appropriated in S.L. 2021-180, Section 9F.9(a) for three design/construction projects focused on increasing behavioral health inpatient beds in rural areas with the highest need. The special appropriations were designated for projects at: (1) Harnett County Health System's Betsy Johnson Hospital, (2) Johnston Health Enterprises, Inc., and (3) Good Hope Hospital in Harnett County. The appropriation for Good Hope Hospital was a second appropriation to provide additional funding needed to complete the project. S.L. 2021-180 also provided funding from the State Capital and Infrastructure Fund for these three hospitals. S.L. 2022-6, Section 3.4(a) amended S.L. 2021-180, Section 9F.9(a)(2) to allow Harnett County Health System, Inc. to select an alternative site for the project in Harnett County (other than Betsy Johnson Hospital). The additional funding allocated to Good Hope Hospital will enable the completion of 16 adult psychiatric beds. Harnett Health will develop an additional six adult psychiatric beds, and Johnston Enterprises will add 12 child/adolescent psychiatric beds. Once the above beds are developed, the DDHPF projects will have increased North Carolina psychiatric bed capacity by 183 beds.

Attachment 1

North Carolina
Three-Way Contract Community Hospital Beds

As of July 1, 2022



Currently 30 contracts fund approximately 166 designated beds

* Note that contracts for Vidant Medical Center & Catawba Valley Medical Center fund both Lower & Higher Tier (Enhanced) Three-Way beds each.

- Vaya Health
- Partners Behavioral Health Management
- Sandhills Center
- Alliance Health
- Eastpointe
- Trillium Health Resources

Attachment 2

North Carolina Behavioral Health Facility-based Crisis & Behavioral Health Urgent Care locations (with and without Involuntary Commitment designation)

Last updated 9/2022