Funds for Local Inpatient Psychiatric Beds or Bed Days Purchased in State Fiscal Year 2021-2022 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

July 19, 2023

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 Abuse 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

A set 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 Abuse Services (DMH/DD/SAS) 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 fact that three organizations (DMH/DD/SAS, LME/MCOs, and Community Hospitals) are partners to the same.

Under this arrangement, the community hospitals 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. The community hospitals deliver the inpatient treatment and then submit claims to the LME/MCOs. 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/SAS via NC TRACKS, the multi-payor Medicaid Management Information System for NC DHHS, for adjudication and reimbursement.

Continuing with a methodology that was previously established to equitably distribute Three-Way Contract funding across the State, DMH/DD/SAS estimated the need for psychiatric inpatient care for medically-indigent adults via a formula that uses disposition data from hospital emergency departments to determine the regional (LME/MCO service area) need for psychiatric inpatient care. Funding for an LME/MCO service area's Three-Way contracts 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) 2022, 30 Three-Way Contracts for psychiatric and substance use inpatient care were executed. The Three-Way Contracts were funded at a total amount of $40,621,644 to provide psychiatric and substance use inpatient care for persons who were medically indigent.

With the dissolution of Cardinal Innovations Solutions LME/MCO in SFY 2022, 20 counties that were formerly within the LME/MCO's service area transitioned to the six other LME/MCOs. The six Three-Way Contracts with Cardinal Innovations Solutions LME/MCO were also transitioned to four of the six remaining LME/MCOs.

Two-tiered rates have been implemented as directed by the S.L. 2021-180, based on the level of behavioral, psychiatric, and/or co-morbid medical acuity of the persons served. DMH/DD/SAS 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 2022 budget was $40,621,644. In turn, the LME/MCOs paid the community hospitals for their Three-Way Contract services. During SFY 2022, a total of 53,926 bed days were purchased for service provided between July 1, 2021 and June 30, 2022; 6,543 persons were served as a result of the Three-Way Contract funding.

Ensuring Funds are Used Solely for Persons Who are Medically Indigent

DMH/DD/SAS 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 coupled with 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, 6,543 (unduplicated count) North Carolinians who are medically indigent were served by the purchase of Three-Way Contracts in SFY 2022.

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 2022, 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 2022.

III. Other State and Local Funded Inpatient Care in SFY 2022

Other State Funded Inpatient Care in SFY 2022

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 2022. 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 (NCGA) 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 2022, 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 $13,174,168. Those funds paid for 18,118 bed days for psychiatric inpatient care to 2,241 (unduplicated count) individuals in community hospitals.

Local Funded Inpatient Care in SFY 2022

One LME/MCO, Alliance Health, reported to DMH/DD/SAS that it was able to access local funding to purchase psychiatric inpatient services in community hospitals. A total of $4,965,538.83 was paid to community hospitals for inpatient care. These local funds were reported to have purchased 10,589 bed days and served 829 people (unduplicated count).

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 emergency departments (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.

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 (BHUC) centers 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. Eight BHUCs (i.e., Tier IV BHUCs) and all of the FBCs operate on a 24-hour, seven days per week basis. The FBCs 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, *Scope*. The State currently has 24 adult FBC Service sites, 13 of those are designated for the treatment of persons who are under involuntary commitment (IVC). The 24 FBC's have 329 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 involuntary commitment (IVC). Each Child FBC services site has a 16-bed facility which will provide 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, and will provide access to timely, age-appropriate mental health care during a time of crisis. Each site will also provide 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 recently 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, 2021.
- Sandhill Center LME/MCO partnered with Daymark Recovery Services to open the Richmond Child Facility-Based Crisis in the summer of 2022.

There is one additional Child FBC Service site currently in development and under construction. Alliance Health LME/MCO has partnered with Kids Peace to develop a Child FBC in Fuquay-Varina located in Wake County; this facility is projected to open in 2023. This site will also include 24 hours/7-days per week/365 days per year Tier IV Behavioral Health Urgent Care Centers (BHUC) on the premises.

S.L. 2014-100, Section 12F.5.(a) defines Behavioral Health Urgent Care (BHUC) was 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.*

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 the 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.

S.L. 2018-5, Section 11F.5.(a) directed the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Use Services (DMH/DD/SAS) to allocate one million four hundred thousand dollars ($1,400,000) in non-recurring funds to Vaya Health (Vaya) as a grant-in-aid for the construction of a facility-based crisis center in Wilkes County. DMH/DD/SAS allocated the funds to Vaya, which worked with Synergy Recovery Center to expand and renovate the existing facility-based crisis center located in North Wilkesboro. The renovations were completed Spring 2021 resulting in a 16-bed facility.

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; 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.

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.

Case Management Pilot Program

Resource Intensive Comprehensive Case Management (RICCM) is an initiative that has been implemented by a collaboration between Vaya Health, MH Mission Hospital, and RHA Health Services, Inc

This current pilot receives funds from the Mental Health and Substance Use Task Force Reserve Fund, as established by S.L. 2016-94, Section 12F.3(b). The goal of the RICCM pilot was to reduce utilization of EDs and behavioral health inpatient through targeted and enhanced case management practices.

Some of the high points from the pilot's inception in May 2017 through June 2022:

- RICCM has been provided to 1,402 individuals since 2017. Payor source through June 30, 2021 breakdown is as follows:
    - Medicaid- 39%
    - Uninsured- 35%
    - Medicare- 18%
    - Private- 8%

- The program hired a Social Security Insurance/Social Security Disability Insurance (SSI/SSDI) Outreach, Access, and Recovery (SOAR) attorney in May 2018 to help link individuals to insurance and also provide legal consultation. Since starting in May 2018, this program has provided the following:
    - Legal consultations: 283 individuals
    - SOAR applications in progress: 14
    - 19 individuals were awarded SSI/SSDI
    - 18 individuals were deemed eligible for Medicaid

- Data showed a roughly 57% decrease in ED visits for people engaged in RICCM during the most recent quarter, with participants having an average 4.34 visits in the six months prior to receiving RICCM, and 1.88 visits in the six months post RICCM
- Data showed a roughly 75% drop in behavioral health inpatient stays for people engaged in RICCM during the most recent quarter, with participants having an average 2.98 visits in the six months prior to receiving RICCM, and 0.77 visits in the six months post RICCM
- The RICCM program uses the Daily Living Activities (DLA-20), a nationally recognized evidence based functional assessment, to assess current daily living needs and incorporate those needs into treatment plans. The DLA-20 is re-administered every 30 days to track any functional gains. An increase in scores indicates an increase in daily living skills. Individuals receiving RICCM have an average score of 2.76 at service initiation and have a final score of 3.02 upon discharge/transfer.

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

Appropriations from several session laws, identified below, provided funding from the Dorothea Dix Hospital Property Fund (DDHPF) for seven construction contracts that were executed to convert existing licensed acute medical inpatient beds into licensed psychiatric or substance use inpatient beds or to create new licensed psychiatric or substance use inpatient beds. An eighth construction contract was also executed to develop new beds in a Facility Based Crisis program. 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 by S.L. 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. 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."

Of the 165 beds located in renovated or newly constructed facilities, 149 are psychiatric inpatient beds in community hospitals and 16 beds are in a Facility-Based Crisis program. One hundred thirty of the beds are currently operational. Fourteen additional beds are anticipated to become operational within the newly constructed facilities when licensure is completed and staffing hired/trained.

For SFY 2022 the six completed projects reported a total of 18,906 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.

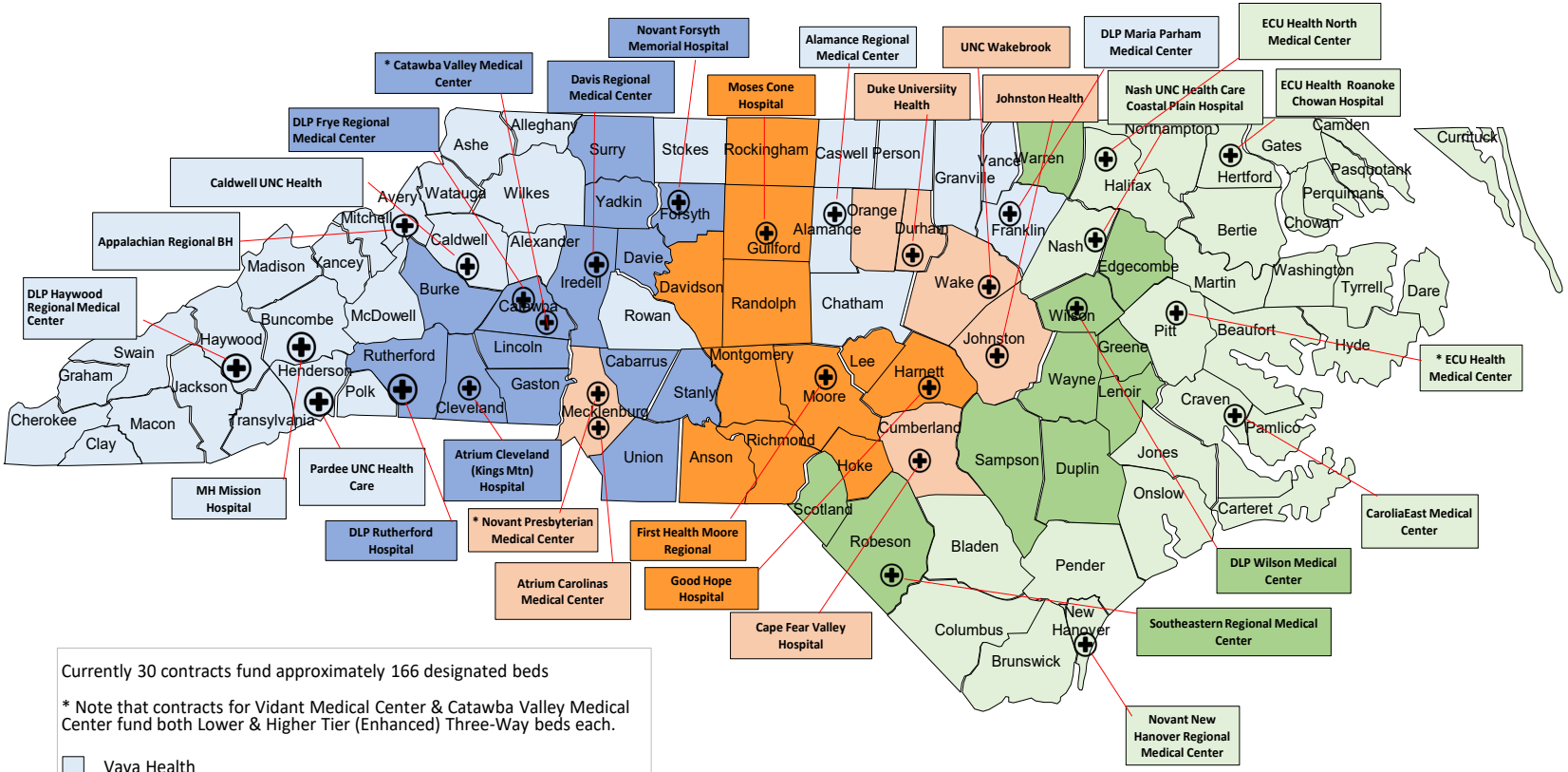
One of the DDHPF design/construction projects, at Good Hope Hospital in Harnett County, which was contracted to build 16 new beds, received additional DDHPF dollars via a special appropriation in S.L. 2021–180 that is being used to pay for the unfinished work of the ongoing project. S.L. 2021-180 also provided special appropriations for two additional new projects. A contract with Johnston Health Enterprises, Inc., for a six–bed design/construction project in Johnston County, was executed on September 2, 2022, while the other is a 12–bed project in Harnett County for which a contract has been recently issued to Harnett Health for signatures.

ATTACHMENTS

Attachment 1

North Carolina
Three-Way Contract Community Hospital Beds

As of July 1, 2022



Currently 30 contracts fund approximately 166 designated beds

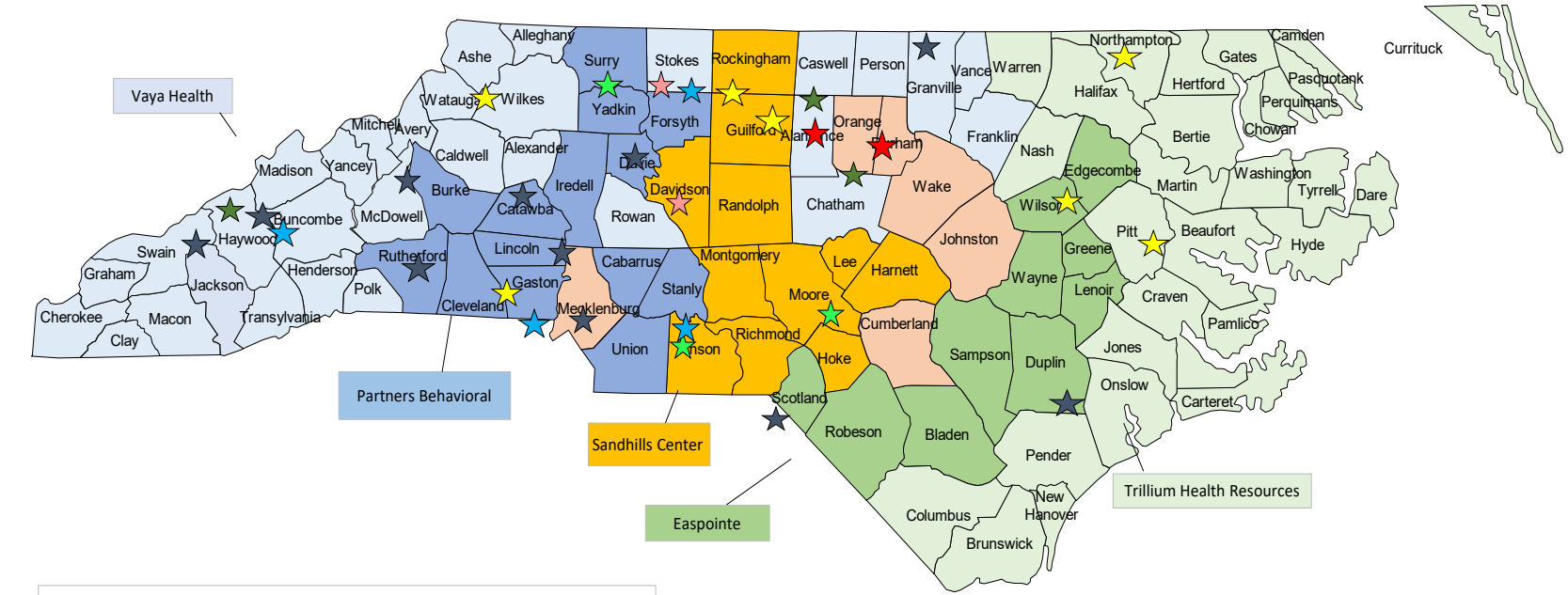
* Note that contracts for Vidant Medical Center & Catawba Valley Medical Center fund both Lower & Higher Tier (Enhanced) Three-Way beds each.

- 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



- Facility Based Crisis without IVC designation
- Facility Based Crisis with IVC designation
- Behavioral Health Urgent Care & co-located FBC with IVC designation
- Behavioral Health Urgent Care & co-located FBC without IVC designation
- Tier IV BHUC (24/7/365)
- Tier III BHUC (less than 24 hours)
- Child FBC with IVC designation