



Bill Draft 2015-MGa-8A*: PED Recs/Publicly Funded Substance Abuse Svcs.

2015-2016 General Assembly

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| Committee: | Joint Legislative Program Evaluation Oversight Committee | Date: | January 16, 2015 |
| Introduced by: | | Prepared by: | Joyce Jones Staff Attorney |
| Analysis of: | 2015-MGa-8A* | | |

SUMMARY: *Bill Draft 2015-MGa-8A implements the recommendations of a recent report by the Program Evaluation Division by integrating the State-Operated Alcohol and Drug Abuse Treatment Centers (ADATCs) into the array of publicly funded substance abuse services managed by local management entities/managed care organizations (LME/MCOs); reallocating direct State appropriations for ADATCs to the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (DMH/DD/SAS) for management by the LME/MCOs; and strengthening the performance management system for substance abuse services.*

CURRENT LAW: North Carolina's public system for adult substance abuse treatment has two primary components: (i) the community-based system managed by nine LME/MCOs that contract with providers throughout the State for an array of substance abuse services, and (ii) the three ADATCS that operate semi-autonomously under the Division of State-Operated Health Care Facilities (DSOHF) to provide inpatient substance abuse services. North Carolina lacks a performance management system that tracks long-term outcomes of public substance abuse treatment.

BILL ANALYSIS:

Section 1 sets forth the definitions that apply throughout the bill draft.

In accordance with Recommendation 1 of the Report:

Section 2(a) expresses the General Assembly's intent to integrate ADATCs into the array of publicly funded substance abuse services managed by LME/MCOs. **Section 2(b)** directs DHHS to prepare and submit a 3-year transition business plan by April 1, 2016, that includes (i) the LME/MCOs' projected demand for ADATC services both during the transition period and during the first three fiscal years following full integration; (ii) the projected availability of ADATC services during this same time period; (iii) procedures for making operational adjustments at the ADATCs during the transition period based upon the demand for services and the availability of funding to provide these services; (iv) a methodology for establishing and updating the rates to be paid by LME/MCOs for ADATC services provided to individuals whose care is managed and paid for by the LME/MCOs; and (v) a uniform process for LME/MCOs to give prior authorization for ADATCs to admit and treat individuals for whom the LME/MCOs will be financially responsible. The prior authorization process will allow the LME/MCOs to control whether an individual will be served in the community or as an inpatient by an ADATC.

Section 3(a) expresses the General Assembly's intent to incrementally reallocate direct State appropriations for ADATCs to DMH/DD/SAS for community services in order to allow the LME/MCOs to assume full responsibility for managing all publicly funded substance abuse services, including those delivered through the ADATCs. To accomplish this objective efficiently and effectively, **Section 3(b)** requires DMH/DD/SAS to estimate by August 1, 2015, the amount of reallocated funds each LME/MCO will receive for each fiscal year of the transition period. The estimated share for each LME/MCO is to be based on the amount appropriated to the ADATCs for the 2015-16 fiscal year and



must be proportional to the total population of the LME/MCO catchment area, except that the estimated fund allocation for Cardinal Innovations Healthcare Solutions (Cardinal) is to be adjusted by an amount sufficient to reflect the ADATC State institution fund allocation received by Cardinal for the original counties under the Piedmont Demonstration Project. **Section 3(b)** also requires the LME/MCOs to prepare a written transition plan by February 1, 2016, specifying plans for using these reallocated ADATC funds to (i) build capacity for community-based substance abuse services, (ii) reduce gaps in substance abuse services, (iii) purchase substance abuse services from the ADATCs, or (iv) any combination of these. Finally, **Section 3(c)** specifies how direct State appropriations for ADATCs are to be reduced and reallocated during each fiscal year of the transition period, so that by July 1, 2019, all direct State appropriations for ADATCs will have been terminated and reallocated to DMH/DD/SAS for management by the LME/MCOs.

Section 4 imposes various requirements on the LME/MCOs to help them plan for and manage utilization and payment for ADATC services; namely, (i) submitting written transition plans to DMH/DD/SAS by February 1, 2016, describing plans for using the estimated reallocation of ADATC funds to provide substance abuse services, (ii) sharing with DSOHF by February first of each year their projected demand for ADATC services in the upcoming fiscal year, (iii) entering into a contract with DSOHF by April first of each year for ADATC services it intends to utilize during the next fiscal year, and (iv) implementing and enforcing the prior authorization process established by DHHS pursuant to Section 2(b)(5) of this act.

To help the ADATCs become wholly receipt supported, **Section 5** requires the ADATCs to annually evaluate and adjust their operations based upon the projected demand for services and the availability of funding to meet the demand for services from direct State appropriations and estimated receipts from Medicare, Medicaid, insurance, self-pay and the LME/MCOs.

Under **Section 6(a)**, DMH/DD/SAS is responsible for monitoring the LME/MCOs and the ADATCs during the transition period to (i) ensure that State expenditures on substance abuse services continues to meet the maintenance of effort requirements of the federal Substance Abuse Prevention and Treatment Block Grant, (ii) keep abreast of efforts by the LME/MCOs to increase capacity for substance abuse treatment to ensure the development of community-based services to meet the needs of individuals formerly serviced by the ADATCs, and (iii) be informed about the extent to which LME/MCOs are utilizing ADATC services. Under **Section 6(b)**, DHHS must report each October first from 2016 through 2020, on (i) the status of fully integrating the ADATCs into the array of publicly funded substance abuse services managed by the LME/MCOs and (ii) a breakdown of how direct State appropriations reallocated from the ADATCs to the LME/MCOs have been used to purchase substance abuse services.

In accordance with Recommendation 2 of the Report, **Section 7** directs DMH/DD/SAS, in consultation with the LME/MCOs and, as needed, other DHHS Divisions, the North Carolina Court System, and other State Departments, to develop and submit by January 15, 2016, a plan for a stronger performance management system that tracks long-term outcome measures for publicly funded substance abuse services.

EFFECTIVE DATE: Subsection 3(c) of the bill draft becomes effective July 1, 2016. The remainder of the bill draft becomes effective when it becomes law.

BACKGROUND: The bill draft is based on the Program Evaluation Division report entitled *DHHS Should Integrate State Substance Abuse Treatment Facilities into the Community-Based System and Improve Performance Management*, Report Number 2014-14 (November 19, 2014).