

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015**

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(THIS IS A DRAFT AND IS NOT READY FOR INTRODUCTION)

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Short Title: PED Recs/Publicly Funded Substance Abuse Svcs.

(Public)

Sponsors: Representative Howard./Senator Hartsell (Primary Sponsor).

Referred to:

A BILL TO BE ENTITLED

AN ACT INTEGRATING 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, REALLOCATING DIRECT STATE APPROPRIATIONS FOR ADATCS TO THE DIVISION OF MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE SERVICES FOR MANAGEMENT BY THE LME/MCOS, AND STRENGTHENING THE PERFORMANCE MANAGEMENT SYSTEM FOR SUBSTANCE ABUSE SERVICES, AS RECOMMENDED BY THE PROGRAM EVALUATION DIVISION OF THE NORTH CAROLINA GENERAL ASSEMBLY.

The General Assembly of North Carolina enacts:

PART I. DEFINITIONS

SECTION 1. As used in this act, the following definitions apply unless the context requires otherwise:

- (1) ADATCS. – All of the Alcohol and Drug Treatment Centers under the jurisdiction of the DHHS Secretary, as identified in G.S. 122C-181.
- (2) DHHS. – The North Carolina Department of Health and Human Services.
- (3) DMH/DD/SAS. – The Division of Mental Health, Developmental Disabilities, and Substance Abuse Services of the North Carolina Department of Health and Human Services.
- (4) DSOHF. – The Division of State-Operated Healthcare Facilities of the North Carolina Department of Health and Human Services.
- (5) LME/MCO or Local Management Entity/Managed Care Organization. – As defined in G.S. 122-C3; a local management entity that is under contract with DHHS to operate the combined Medicaid Waiver program authorized under Section 1915(b) and Section 1915(c) of the Social Security Act.
- (6) Transition period. – The three-year period beginning July 1, 2016, and ending June 30, 2019, during which ADATCs are to be fully integrated into the array of publicly funded substance abuse services managed by the LME/MCOs.



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1 **PART II. DHHS TRANSITION BUSINESS PLAN FOR INTEGRATING ADATCS**
2 **INTO THE ARRAY OF PUBLICLY FUNDED SUBSTANCE ABUSE SERVICES**
3 **MANAGED BY LME/MCOS.**

4 **SECTION 2.(a)** It is the intent of the General Assembly to integrate the ADATCs
5 into the array of publicly funded substance abuse services managed by the LME/MCOs over a
6 three-year period, beginning no earlier than July 1, 2016, and ending with full integration by
7 June 30, 2019.

8 **SECTION 2.(b)** By April 1, 2016, DHHS shall prepare and submit to the Joint
9 Legislative Oversight Committee on Health and Human Services a three-year transition
10 business plan for all ADATCs that includes at least all of the following components:

- 11 (1) The projected demand by LME/MCOs for substance abuse services provided
12 by the ADATCs during (i) each fiscal year of the transition period and (ii)
13 the first three fiscal years subsequent to full integration of the ADATCs into
14 the array of publicly funded substance abuse services managed by the
15 LME/MCOs.
- 16 (2) The projected availability of services at all ADATCs during (i) each fiscal
17 year of the transition period and (ii) the first three fiscal years subsequent to
18 full integration of the ADATCs into the array of publicly funded substance
19 abuse services managed by the LME/MCOs.
- 20 (3) Procedures for making operational adjustments at each of the ADATCs
21 during the transition period based upon the demand for services and the
22 availability of funding to provide these services. Operational adjustments
23 may include one or any combination of the following:
 - 24 a. Staffing adjustments.
 - 25 b. Changes in the use of contract staff.
 - 26 c. Facility closures.
- 27 (4) A methodology for establishing and updating the rates to be paid by
28 LME/MCOs for substance abuse services provided by ADATCs to
29 individuals receiving these services under the management of the
30 LME/MCOs.
- 31 (5) A uniform process for LME/MCOs to give prior authorization for ADATCs
32 to admit and treat individuals whose care is managed and paid for by the
33 LME/MCOs. The prior authorization process developed pursuant to this
34 subsection shall be developed by DHHS, in consultation with the
35 LME/MCOs. As part of this process, an ADATC shall provide screening and
36 triage services and notify the appropriate LME/MCO when an individual
37 reliant upon State funds for substance abuse services seeks direct admission
38 to the ADATC. The LME/MCO for the catchment area in which the
39 individual resides shall determine if the individual should be admitted to the
40 ADATC based upon clinical information provided by the ADATC. Upon a
41 determination by the LME/MCO that the individual should be admitted to
42 the ADATC, the LME/MCO shall be financially responsible for all inpatient
43 substance abuse services rendered by the ADATC to the individual during
44 admission. Upon a determination by the LME/MCO that the individual
45 should be served in the community, the LME/MCO shall be responsible for
46 making these alternative arrangements for substance abuse services and for
47 paying the cost of assessment services by the ADATC.
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1 **PART III. INCREMENTAL REDUCTION AND REALLOCATION OF DIRECT**
2 **STATE APPROPRIATIONS FOR ADATCS**

3 **SECTION 3.(a)** In anticipation of integrating the ADATCs into the array of
4 publicly funded substance abuse services managed by the LME/MCOs, it is the intent of the
5 General Assembly to gradually terminate all direct State appropriations for ADATCs by the
6 beginning of the 2019-2020 fiscal year, and instead reallocate these funds to DMH/DD/SAS for
7 community services in order to allow the LME/MCOs to assume full responsibility for
8 managing all publicly funded substance abuse services, including those delivered through the
9 ADATCs.

10 **SECTION 3.(b)** In order to allow the LME/MCOs to plan in advance how to
11 effectively and efficiently manage and use these reallocated ADATC funds, DMH/DD/SAS
12 shall do all of the following:

- 13 (1) Calculate and notify each LME/MCO by August 1, 2015, of its estimated
14 share of these fund allocations for each fiscal year of the transition period.
15 The estimated share of fund allocations for each LME/MCO shall be:
- 16 a. Based on the total amount of direct State appropriations allocated to
17 the ADATCs for the 2015-2016 fiscal year.
 - 18 b. Proportional to the total population of the LME/MCO catchment
19 area, except that the estimated share of allocations for the
20 LME/MCO known as Cardinal Innovations Healthcare Solutions
21 (Cardinal) shall be reduced by an amount sufficient to reflect the
22 ADATC state institution fund allocation received by Cardinal for the
23 original counties under the Piedmont Demonstration Project.
- 24 (2) As a condition of receiving the estimated funds calculated pursuant to
25 subdivision (1) of this subsection, require each LME/MCO to submit by
26 February 1, 2016, a written transition plan describing how it plans to use
27 these reallocated ADATC funds to (i) build capacity for community-based
28 substance abuse services, (ii) reduce gaps in substance abuse services, (iii)
29 purchase substance abuse services from the ADATCs, or (iv) any
30 combination of these. DMH/DD/SAS shall review the written transition
31 plans to ensure each LME/MCO proposes using these reallocated ADATC
32 funds to purchase substance abuse services.

33 **SECTION 3.(c)** Notwithstanding any other provision of law to the contrary,
34 beginning with the 2016-2017 fiscal year, direct State appropriations for ADATCs shall be
35 reduced and reallocated as follows:

- 36 (1) For the 2016-2017 fiscal year, direct State appropriations for ADATCs shall
37 be reduced by 25% of the amount appropriated for this purpose for the
38 2015-2016 fiscal year and reallocated to DMH/DD/SAS for community
39 services for substance abuse treatment provided through the LME/MCOs.
- 40 (2) For the 2017-2018 fiscal year, direct State appropriations for ADATCs shall
41 be reduced by 50% of the amount appropriated for this purpose for the
42 2015-2016 fiscal year and reallocated to DMH/DD/SAS for community
43 services for substance abuse treatment provided through the LME/MCOs.
- 44 (3) For the 2018-2019 fiscal year, direct State appropriations for ADATCs shall
45 be reduced by 75% of the amount appropriated for this purpose for the
46 2015-2016 fiscal year and reallocated to DMH/DD/SAS for community
47 services for substance abuse treatment provided through the LME/MCOs.
- 48 (4) Effective July 1, 2019, all direct State appropriations for ADATCs shall be
49 terminated and reallocated to DMH/DD/SAS for community services for
50 substance abuse treatment provided through the LME/MCOs.

51 **SECTION 3.(d)** Subsection (c) of this section becomes effective July 1, 2016.

1 **PART IV. LME/MCO PAYMENT & UTILIZATION MANAGEMENT FOR ADATC**
2 **SERVICES**

3 **SECTION 4.(a)** In order to allow the LME/MCOs to effectively and efficiently
4 manage utilization of, and payment for, ADATC services for individuals in their respective
5 catchment areas, each LME/MCO shall do all of the following:

- 6 (1) By February 1, 2016, submit to DMH/DD/SAS a written transition plan
7 describing how it plans to use reallocated ADATC funds to (i) build capacity
8 for community-based substance abuse services, (ii) reduce gaps in substance
9 abuse services, (iii) purchase substance abuse services from the ADATCs, or
10 (iv) any combination of these.
- 11 (2) By February first of each year, submit to DSOHF its projected demand for
12 ADATC services for the upcoming fiscal year.
- 13 (3) By April first of each year, enter into a contract with DSOHF for the
14 ADATC services it intends to utilize during the next fiscal year. The contract
15 shall include at least all of the following terms:
- 16 a. The projected amount of substance abuse services to be provided by
17 the ADATCs to individuals within the LME/MCO catchment area.
- 18 b. The negotiated rate to be paid by the LME/MCO for substance abuse
19 services provided by the ADATCs to individuals receiving these
20 services under the management of the LME/MCOs. The negotiated
21 rate shall be sufficient to cover 100% of the actual cost to the
22 ADATCs for providing these services, except that during the
23 transition period the negotiated rate shall be calculated as follows:
- 24 i. For fiscal year 2016-2017, LME/MCOs shall pay 25% of the
25 facility's per bed day cost for ADATC services provided to
26 individuals under the management of the LME/MCOs.
- 27 ii. For fiscal year 2017-2018, LME/MCOs shall pay 50% of the
28 per bed day cost for ADATC services provided to individuals
29 under the management of the LME/MCOs.
- 30 iii. For the 2018-2019 fiscal year, LME/MCOs shall pay 75% of
31 the per bed day cost for ADATC services provided to
32 individuals under the management of the LME/MCOs.
- 33 c. Any conditions imposed upon the ADATCs for receiving payment
34 from the LME/MCOs for services provided to individuals whose care
35 is managed and paid for by the LME/MCOs, including prior
36 authorization.
- 37 (4) Implement and enforce the prior authorization process established by DHHS,
38 in consultation with the LME/MCOs, pursuant to Section 2(b)(5) of this act.
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40 **PART V. ADJUSTMENT OF ADATC OPERATIONS**

41 **SECTION 5.** It is the intent of the General Assembly that at the end of the
42 transition period, each of the ADATCs be wholly receipt-supported. In furtherance of this
43 goal, each of the ADATCs shall annually evaluate and adjust their operations based upon the
44 projected demand for services and the availability of funding to meet the demand for services
45 from direct State appropriations and estimated receipts from Medicare, Medicaid, insurance,
46 self-pay, and the LME/MCOs. These operational adjustments shall be in compliance with the
47 procedures established by DHHS pursuant to Section 2(b)(3) of this act.
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PART VI. OVERSIGHT AND REPORTING

SECTION 6.(a) During the transition period, DMH/DD/SAS shall monitor each of the following with respect to integration of the ADATCs into the array of publicly funded substance abuse services managed by the LME/MCOs:

- (1) Expenditures by LME/MCOs and by ADATCs to ensure that North Carolina continues to meet the maintenance of effort requirements of the federal Substance Abuse Prevention and Treatment Block Grant.
- (2) Efforts by each of 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 served by the ADATCs.
- (3) Utilization by LME/MCOs of substance abuse services provided by the ADATCs.

SECTION 6.(b) Beginning October 1, 2016, and annually thereafter until October 1, 2020, DHHS shall report to the Joint Legislative Oversight Committee on Health and Human Services and the Joint Legislative Program Evaluation Oversight Committee on each of the following:

- (1) The status of fully integrating the ADATCs into the array of publicly funded substance abuse services managed by the LME/MCOs.
- (2) A breakdown of how direct State appropriations reallocated from the ADATCs to the LME/MCOs have been used to purchase substance abuse services.

PART VII. PLAN FOR STRENGTHENING PERFORMANCE MANAGEMENT FOR THE STATE'S PUBLICLY FUNDED SUBSTANCE ABUSE SERVICES

SECTION 7. By January 15, 2016, DMH/DD/SAS, in consultation with the LME/MCOs, shall develop and submit to the Joint Legislative Oversight Committee on Health and Human Services a plan to strengthen performance management for the State's publicly funded substance abuse services. The Department is encouraged to consult with other Divisions under its jurisdiction; the North Carolina Court System; and other State agencies, including the Departments of Public Safety, Revenue, and Commerce, in order to develop a plan that integrates other data into a performance management system that measures outcomes. The plan shall identify at least all of the following:

- (1) Specific long-term outcome measures to be tracked by DMH/DD/SAS.
- (2) Challenges with the current information technology system used for Medicaid claim adjudication that may limit the State's ability to implement meaningful performance management, and proposed remedies for either eliminating this limitation in the system or collecting needed data from the LME/MCOs.
- (3) Timelines for all steps necessary for DMH/DD/SAS to begin tracking long-term outcome measures.
- (4) Data elements, such as patient placement criteria data, that would allow DMH/DD/SAS to improve the process for analyzing service gaps in substance abuse services.
- (5) Protocols for using long-term outcomes to (i) assess the effectiveness of treatment modalities and practices, (ii) measure the performance of providers and LME/MCOs in the delivery of substance abuse services, and (iii) hold LME/MCOs accountable for effective and efficient treatment.

PART VIII. EFFECTIVE DATE

SECTION 8. Except as otherwise provided, this act is effective when it becomes law.