



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

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Tel 919-733-4534 • Fax 919-715-4645

Beverly Eaves Perdue, Governor

August 2, 2010

Lanier M. Cansler, Secretary

The Honorable Verla Insko, Co-Chair  
Joint Legislative Oversight Committee on Mental Health,  
Developmental Disabilities and Substance Abuse Services  
North Carolina General Assembly  
Room 307-B1, Legislative Office Building  
Raleigh, NC 27603

Dear Representative Insko:

Session Law 2009-191 requires the North Carolina Department of Health and Human Services to analyze the effectiveness of single stream funding in the expenditure of State funds and review the allocation of service dollars to specific disabilities of Local Management Entities (LMEs) that utilize single stream funding for a year or more. Under this legislation, a report on the findings is to be submitted to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, and the Fiscal Research Division.

In order to address this objective, there has been a delay in submission of the report as information is still being compiled. Our goal is to provide a report which provides substantive and extensive discussion of the findings and recommendations. We believe that the additional time will permit us to accomplish this goal. The report will be submitted by September 1, 2010.

Sincerely,

A handwritten signature in black ink, appearing to read "Lanier".

Lanier M. Cansler

LMC:mth

cc: Michael Watson  
Dan Stewart  
Jim Slate

Leza Wainwright  
Rennie Hobby  
Pam Kilpatrick

Sharnese Ransome  
Committee Members  
Legislative Library (one hard copy)





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Beverly Eaves Perdue, Governor

August 2, 2010

Lanier M. Cansler, Secretary

The Honorable Martin Nesbitt, Co-Chair  
Joint Legislative Oversight Committee on Mental Health,  
Developmental Disabilities and Substance Abuse Services  
North Carolina General Assembly  
Room 300-B, Legislative Office Building  
Raleigh, NC 27603

Dear Senator Nesbitt:

Session Law 2009-191 requires the North Carolina Department of Health and Human Services to analyze the effectiveness of single stream funding in the expenditure of State funds and review the allocation of service dollars to specific disabilities of Local Management Entities (LMEs) that utilize single stream funding for a year or more. Under this legislation, a report on the findings is to be submitted to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, and the Fiscal Research Division.

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**Report to  
Joint Legislative Oversight Committee on Mental Health, Developmental  
Disabilities and Substance Abuse Services, House of Representatives  
Appropriations Subcommittee on Health and Human Services,  
Senate Appropriations Committee on Health and Human Services, and  
Fiscal Research Division**

**Analysis of the Effectiveness of Single Stream Funding**

**Session Law 2009-191, House Bill 672, Section 2**

**August 31, 2010**

**North Carolina Department of Health and Human Services,  
Division of Mental Health, Developmental Disabilities, and  
Substance Abuse Services**

The Special Provision outlined in Session Law, 2009-191, House Bill 672 Section 2, states:

*“The Department of Health and Human Services shall analyze the effectiveness of single stream funding in the expenditure of State funds and review the allocation of service dollars to specific disabilities of LMEs that utilize single stream funding for a year or more and report its findings to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division by June 1, 2010.”*

Single Stream funding was developed by the Division of Mental Health, Developmental Disabilities and Substance Abuse Services (DMH/DD/SAS) as a method to provide Local Management Entities (LMEs) with greater flexibility to manage limited state funding for services. Under Single Stream funding, LMEs have the flexibility to determine, based upon the unique needs in the catchment area served, how to allocate state resources across the three disabilities. In SFY 2004-2005 one LME, PBH, operated under Single Stream funding. Smoky Mountain became the second LME to operate under this framework in July, 2005. By SFY 2006-2007, seven (7) LMEs were operating under Single Stream Funding. In 2007, through Session Law 2007-323, Section 10.49(y), the General Assembly directed DMH/DD/SAS to designate two (2) additional LMEs to participate in Single Stream funding and to establish criteria that LMEs were to meet to qualify for Single Stream funding. A year later, through Session Law 2008-107 Section 10.15.c the Division was encourage to convert non-Single Stream LMEs to Single Stream and to develop criteria by which a LME with poor performance would have its ability to operate under Single Stream funding withdrawn.

As outlined in the 2009 special provision, DMH/DD/SAS was given the responsibility:

- To analyze the effectiveness of single stream funding in the expenditure of State funds
- To review the allocation of services to specific disabilities in LMEs that utilized single stream funding for a year or more.

As of July 1, 2010, sixteen (16) of the twenty-three (23) LMEs are operating under Single Stream funding protocols. Seven (7) LMEs have thus far failed to meet the approval criteria to convert to Single Stream funding.

The DMH/DD/SAS created a workgroup to examine the various sources of information necessary to report on the effectiveness of Single Stream funding. The workgroup was composed of program and financial staff. The workgroup gathered information to analyze and review the Single Stream funding operational process for the Local Management Entities by disability categories.

### **Effectiveness of Single Stream Funding**

It is apparent that the Single Stream funding design and implementation has been both popular and successful in allowing LMEs to more easily expend and account for their utilization of state funds. Integral to this design and implementation is less direction from the General Assembly and the Division on the specific use of state funds balanced

by increased accountability on the part of the LME for providing age, disability and service specific reporting on the utilization of these funds.

The Division has successfully used interest in obtaining Single Stream funding designation as a performance incentive to guide and reinforce LME quarterly attainment of critical system indicators related to service access, quality, appropriateness, and effectiveness. These age/disability specific indicators include annual improvement of LMEs in:

- timely consumer access to services;
- effective identification of services to persons in need;
- timely initiation and engagement of consumers in services;
- effective use of state psychiatric hospitals;
- reduction in state psychiatric hospital readmissions;
- timely follow-up after inpatient care in state psychiatric hospitals and state Alcohol and Drug Abuse Treatment Centers (ADATCs); and
- reduction in the number of children in out-of-home placements for services.

These measures have reflected consistent progress of LMEs in improving services to consumers and families over the past six (6) years of implementation of Single Stream funding, and are reported quarterly in the Division's Community Systems Progress Report (CSPR) located on the Division web site at <http://www.ncdhhs.gov/mhddsas/statpublications/reports/index.htm>.

The Division's performance measures are based upon the Healthcare Effectiveness Data and Information Set (HEDIS) measures, which are used by over ninety percent (90%) of the nation's health plans to measure performance. Highlights of statewide improvements in these quality performance indicators over the past eight (8) calendar quarters include:

- Access to Routine Care within 14 Days of Request – Improved from 68% to 82%
- Adult MH Services Penetration – Improved from 40% to 49%
- Child MH Services Penetration – Improved from 47% to 50%
- Adult DD Services Penetration – Improved from 38% to 41%
- Child MH Services Penetration – Improved from 20% to 21%
- Adult SA Services Penetration – Improved from 8% to 10%
- Child SA Services Penetration – Improved from 7% to 8%
- Adult MH Services Initiation in Care – Improved from 35% to 40%
- Adult MH Services Engagement in Care – Improved from 22% to 25%
- Reduction in Use of 1 to 7 Day Admission Stays in State Hospitals – Improved from 51% to 35%
- Reduction in State Psychiatric Hospital 30 Day Readmissions – Improved from 9% to 8%
- Reduction in State Psychiatric Hospital 180 Day Readmissions – Improved from 22% to 18%
- Timely Follow-Up to ADATC Admissions within 7 Days – Improved from 23% to 34%
- Timely Follow-Up to State Hospital Admissions within 7 Days – Improved from 35% to 47%

- Reduction in number of children in out-of-home placements – Improved from 4% to 3%

These improvements in nationally-recognized performance indicators by the majority of the LMEs indicate the overall effectiveness of the Single Stream funding approach. Single Stream funding provides the LMEs greater flexibility in the use of limited state resources but also requires more accountability from the LME in determining and prioritizing the needs of consumers in its catchment area.

Another aspect of Single Stream funding is a change in payment methodology. Rather than reimburse the LME for units of services reported, Single Stream LMEs are paid one-twelfth of their allocation each month and must then report the use of those funds after the fact. This piece of Single Stream funding requires an extra measure of vigilance by the Division in order to maintain its federally mandated levels of the dedicated expenditure of age and disability specific funding that are part of the Maintenance of Effort (MOE) requirements for state funds required in the Substance Abuse Prevention and Treatment Block Grant (SAPTBG) and the Community Mental Health Services Block Grant (CMHSBG). Increased local decision-making regarding the utilization of state single stream funding by age and disability and the related reporting to the Division has the potential to challenge the State in meeting its assurances of state expenditures by age and disability to the federal government. To date, the Division has successfully monitored this situation and has not experienced negative consequences in the federal block grants.

The designation of single stream funding has proved to be a useful tool in promoting improvement in LME productivity and reporting of billable services and shadow claims data, and in making improvements in critical system indicators related to services access, quality, appropriateness, and effectiveness.

#### **Allocation of Service Dollars Among Disabilities**

The Division requires LMEs under single stream funding to report a minimum of 85% of their state billable services in age and disability specific shadow claims, which serve as a proxy for fee-for-service billing requirements for non-Single Stream LMEs. In addition the LMEs document the amount of funds used for grants, start-up costs, and other expenses which do not generate units of service to individual consumers. These costs, known as “non-UCR” since they are not reported on a unit cost reporting (UCR) basis, are combined with the reported shadow claims to determine the total cost of services provided by the LME. The chart below compares the funding received by the LME prior to becoming a Single Stream LMEs and the combined value of disabilities services provided by the LMEs in SFY 2009 after becoming a Single Stream LME. Note: Due to the dramatic decrease of more than \$64 million in state funds appropriated by the General Assembly in SFY 2010, this report focuses on SFY 2009 as a more valid comparison of expenditures patterns pre- and post-Single Stream designation.

**Chart A –SFY 2009 Allocations and Expenditures**

	Date Single Stream	Prior to Single Stream	SFY 2009	Shadow Claims + Expenditures	% Reported
<b>Total Funding</b>					
CenterPoint	July-08	11,456,296	18,919,349	19,033,731	100.60%
Crossroads	January-08	7,987,652	10,492,742	11,405,963	108.70%
Durham	November-07	8,511,425	13,092,950	14,465,417	110.48%
East Carolina Behavioral Health	October-07	11,455,915	25,729,910	25,807,935	100.30%
Five County	July-07	10,911,126	12,777,273	13,391,260	104.81%
Guilford	April-07	13,099,085	15,843,020	15,333,921	96.79%
Mecklenburg	April-07	18,741,872	22,839,929	26,295,632	115.13%
Pathways	April-08	15,998,776	18,737,582	18,797,922	100.32%
PBH	July-03	15,988,814	28,198,057	24,678,253	87.52%
Sandhills	July-07	20,009,752	23,790,503	27,878,867	117.18%
Smoky Mountain	July-04	19,315,154	27,977,244	26,434,711	94.49%
Southeastern Regional	October-08	9,350,732	14,161,568	14,538,183	102.66%
Western Highlands Network	July-08	17,148,335	31,740,861	33,120,993	104.35%
<b>Total</b>		<b>179,974,934</b>	<b>264,300,988</b>	<b>271,182,788</b>	<b>102.60%</b>

This chart documents the growth in total state funding available to LMEs during the period 2004 through 2009. It also demonstrates all LMEs are in compliance with the requirement to report shadow claims and expenditures that total at least 85% of the funds allocated; in fact, the majority of Single Stream LMEs report shadow claims and expenditures that total more than the allocation of state funds. The cost of these additional services may be covered, in part, through county funds.

One of the fundamental goals of Single Stream funding is increasing the flexibility of the LMEs to prioritize funds within their catchment area to address specific needs. In review of the specific disabilities, the charts below outline the disability specific funding of each LME prior to beginning Single Stream Funding and the shadow claims reported by LME for each disability area in SFY 2009.

**Chart B – Mental Health Services**

	Date Single Stream	Prior to Single Stream	Shadow Claims	% Reported
<b>Mental Health</b>				
CenterPoint	July-08	5,112,317	5,216,000	102.03%
Crossroads	January-08	3,668,096	3,659,899	99.78%
Durham	November-07	4,114,930	3,704,981	90.04%
East Carolina Behavioral Health	October-07	3,232,955	2,818,451	87.18%
Five County	July-07	3,355,015	3,176,228	94.67%
Guilford	April-07	6,005,268	3,416,995	56.90%
Mecklenburg	April-07	8,947,041	6,873,948	76.83%
Pathways	April-08	3,096,647	2,828,898	91.35%
PBH	July-03	6,688,681	7,978,555	119.28%
Sandhills	July-07	9,289,893	8,092,265	87.11%
Smoky Mountain	July-04	8,668,945	5,849,786	67.48%
Southeastern Regional	October-08	3,432,505	3,066,160	89.33%
Western Highlands Network	July-08	4,517,870	6,327,793	140.06%
<b>Total</b>		<b>70,130,163</b>	<b>63,009,959</b>	<b>89.85%</b>

**Chart C - Developmental Disabilities Services**

<b>Developmental Disabilities</b>	<b>Date Single Stream</b>	<b>Prior to Single Stream</b>	<b>Shadow Claims</b>	<b>% Reported</b>
CenterPoint	July-08	4,600,653	5,460,238	118.68%
Crossroads	January-08	3,905,988	5,852,435	149.83%
Durham	November-07	3,344,207	4,812,453	143.90%
East Carolina Behavioral Health	October-07	6,470,442	6,364,553	98.36%
Five County	July-07	6,835,506	5,315,087	77.76%
Guilford	April-07	5,778,589	6,009,197	103.99%
Mecklenburg	April-07	7,507,668	8,693,985	115.80%
Pathways	April-08	12,296,092	11,805,538	96.01%
PBH	July-03	8,172,153	8,371,169	102.44%
Sandhills	July-07	8,528,106	10,954,146	128.45%
Smoky Mountain	July-04	8,807,152	8,976,741	101.93%
Southeastern Regional	October-08	5,011,406	5,354,426	106.84%
Western Highlands Network	July-08	8,787,116	9,926,000	112.96%
<b>Total</b>		<b>90,045,078</b>	<b>97,895,968</b>	<b>108.72%</b>

**Chart D - Substance Abuse Services**

<b>Substance Abuse</b>	<b>Date Single Stream</b>	<b>Prior to Single Stream</b>	<b>Shadow Claims</b>	<b>% Reported</b>
CenterPoint	July-08	1,743,326	3,251,596	186.52%
Crossroads	January-08	413,568	706,338	170.79%
Durham	November-07	1,052,288	3,096,054	294.22%
East Carolina Behavioral Health	October-07	1,752,518	2,722,012	155.32%
Five County	July-07	720,605	1,259,364	174.76%
Guilford	April-07	1,315,228	3,444,476	261.89%
Mecklenburg	April-07	2,287,163	6,879,704	300.80%
Pathways	April-08	606,037	1,410,161	232.69%
PBH	July-03	1,127,980	2,627,480	232.94%
Sandhills	July-07	2,191,753	3,679,469	167.88%
Smoky Mountain	July-04	1,839,057	2,484,190	135.08%
Southeastern Regional	October-08	906,821	1,405,226	154.96%
Western Highlands Network	July-08	3,843,349	3,654,560	95.09%
<b>Total</b>		<b>19,799,693</b>	<b>36,620,630</b>	<b>184.96%</b>

These charts indicate that with one exception, looking just at shadow claims, Single Stream LMEs have significantly increased the funding devoted to substance abuse services through the increased flexibility associated with Single Stream Funding. Ten of the 13 Single Stream LMEs have increased funding for developmental disabilities services and 10 of 13 LMEs have decreased funding for mental health services. However, it is important to note that, in total, 27% of the funding allocated to Single Stream LMEs was reported on an expenditure basis, rather than through shadow claims. LMEs have the flexibility through Single Stream funding to make those decisions based upon the needs of their catchment area. In addition, the General Assembly has given all LMEs the authority to earn their entire allocation of substance abuse and crisis services funds on an expenditure basis, rather than on a fee-for-service basis. The use of expenditure-based reporting among Single Stream LMEs ranged from a low of just over 10% of total funds allocated to a high of more than 50% of total funds allocated. The chart below displays this information. Anecdotal information indicates that many of these expenditures by Single Stream LMEs are for crisis services, which are predominantly used by individuals experiencing a mental health crisis.



**Chart F – Expenditure-Based Reporting by Single Stream LMEs**

<b>Service Expenditures Not Identified by Disability</b>	<b>SFY 2009 Non-Disability Specific Expenditures</b>
CenterPoint	5,105,897
Crossroads	1,187,291
Durham	2,851,929
East Carolina Behavioral Health	13,902,919
Five County	3,640,581
Guilford	2,463,253
Mecklenburg	3,847,995
Pathways	2,753,325
PBH	5,701,049
Sandhills	5,152,987
Smoky Mountain	9,123,994
Southeastern Regional	4,712,371
Western Highlands Network	13,212,640
<b>Total</b>	<b>73,656,231</b>

**Conclusion:**

Single Stream LMEs have used the increased flexibility associated with Single Stream funding to improve their performance on key performance indicators. At the same time, the distribution of dollars across the three disability areas served by the public mental health, developmental disabilities and substance abuse services system has remained relatively constant, except that Single Stream LMEs have significantly increased funding for substance abuse services. This is very appropriate since substance abuse problems are a growing issue in NC, fewer state funds have historically be allocated for substance abuse services, and a much smaller percentage of the substance abuse population are Medicaid-eligible. The Single Stream LMEs overall improvement in performance and their use of the flexibility associated with Single Stream funding to modestly redistribute funds to address unmet needs in substance abuse services prove the effectiveness of the Single Stream funding approach.