



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

2015-2016 General Assembly

Committee: Joint Legislative Program Evaluation
Oversight Committee

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Introduced by:

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Analysis of: 2015-MGa-8B*

Committee Counsel

SUMMARY: *Bill Draft 2015-MGa-8B 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.

Sections 2 through 6 of the bill draft implement Recommendation 1 of the Report as follows:

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 by April 1, 2016, a 3-year transition business plan that includes at least the following five components: (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 gradually terminate all direct State appropriations for ADATCs and instead reallocate this funding 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 this end, **Section 3(a)** terminates all direct State appropriations for ADATCs, effective July 1, 2019, and reallocates these funds to DMH/DD/SAS for management by the LME/MCOs. **This version eliminates former*



Subsection (c) which specified the exact amount of the ADATC reductions and reallocations to DMH/DD/SAS for each fiscal year of the transition period.

To help the LME/MCOs do some advance planning for assumption of this enhanced management responsibility, **Section 3(b)** directs DMH/DD/SAS to estimate by August 1, 2015, the amount of reallocated ADATC funds each LME/MCO will receive for each fiscal year of the transition period. The estimated share for each LME/MCO must 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, with the following exception: 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)** further directs DMH/DD/SAS to condition each LME/MCO's receipt of reallocated ADATC funds on the submission of a written transition plan by February 1, 2016, specifying how the LME/MCO plans to use these reallocated ADATC funds to increase its capacity for providing the full continuum of substance abuse services.

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, (ii) sharing with DSOHF by February 1st of each year their projected demand for ADATC services in the upcoming fiscal year, (iii) entering into a contract with DSOHF by April 1st of each year for the 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 evaluate and adjust their operations during each year of the transition period 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 continue 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 providing substance abuse 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 1st from 2016 through 2020, on the status of fully integrating the ADATCs into the array of publicly funded substance abuse services managed by the LME/MCOs; and on 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: The bill draft is 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).