

**A Proposal for Funding the Recurring Operating Costs of the
Additional Short-Term, Inpatient Behavioral Health Beds**

Session Law 2016-94, Section 12F.4.(d)

**Session Law 2017-57, Section 11F.5.(e) as amended by Session law
2018-5, Section 11F.2.**



Report to the

**Joint Legislative Oversight Committee on
Health and Human Services**

and

The Fiscal Research Division

By

North Carolina Department of Health and Human Services

December 8, 2020

Reporting Requirements

Session Law 2016-94, Section 12F.4.(d), and Session Law 2017-57, Section 11F.5.(e), as amended by Session Law 2018-5, Section 11f.2, require that:

By December 1, 2020, the Department shall submit a report that includes a proposal for funding the recurring operating costs of these additional beds from a source or sources other than the Dorothea Dix Hospital Property Funds, including the identification of potential new funding sources.

Proposal for Funding Recurring Operating Costs of Dorothea Dix Hospital Property Fund Beds

Approximately 70,000 North Carolinians are uninsured and have serious mental illness. When they require inpatient psychiatric care, the two primary ways their care can be paid for is through Three-Way Contract funds or Single Stream Fund dollars. Three-Way Contract funds have been the primary way this care is paid for, in part due to the budget cuts imposed on the annual allocation for Single Stream Funds after 2015. The annual Three-Way Contract allocation has remained fairly stable over time, at around \$40M per year, and has been consistently fully expended.

Session Law 2016-94 and Session Law 2017-57 directed that the Dorothea Dix Hospital Property Fund (DDHPF) be used to support eight construction contracts, developing a total of 173 inpatient behavioral health beds; 157 are psychiatric inpatient beds in community hospitals and 16 beds are in a Facility-Based Crisis (FBC) program. Ninety-six of the beds are currently operational. Design and construction activities are ongoing for the remaining 77 beds.

The Session Laws above also require that the contracting facilities reserve at least 50% of the new beds for purchase by the North Carolina Department of Health and Human Services via the Three-Way Contracts and by Local Management Entities/Managed Care Organizations for persons who are indigent or are Medicaid recipients.

When all DDHPF beds become operational, 78 psychiatric inpatient and 8 FBC beds must be reserved this way, for a total of 86 reserved beds. A total of 48 currently operational beds are required to be reserved right now.

Notably, that annual Three-Way Contract allocation has not been increased as these DDHPF beds have come online, and the Division has had to stretch the existing annual allocation across more hospitals this year as a result. Fully supporting the additional 86 reserved DDHPF beds would cost almost \$23M each year. Fully supporting the 48 currently operational reserved beds would cost about \$12.5M. This is on top of about \$19 million in yearly projected unfunded psychiatric inpatient care capacity among the Three-Way hospitals that were participating as of

the beginning of this state fiscal year, based on the rate at which they exhaust those funds annually.

In total, fully funding the reserved DDHPF beds and projected unfunded psychiatric inpatient care capacity among the already participating Three-Way hospitals would require upwards of \$42M in additional annual recurring funds.

That amount does not include the cost of covering the uncompensated psychiatric inpatient care and unmet need among the other hospitals in North Carolina that are not DDHPF recipients or Three-Way Contract participants. It also does not include the secondary cost burdens on North Carolina's courts, social services, and law enforcement agencies that are frequently pulled onto the front lines when people go into crisis.

Absent additional recurring appropriations to meet the inpatient psychiatric needs for the 70,000 uninsured North Carolinians with significant mental illness, the Department recommends that the North Carolina General Assembly expand Medicaid. This is the most fiscally responsible choice. Expanding Medicaid would avoid the need to use taxpayer dollars to pay for the additional appropriations described above. It would also connect more North Carolinians with serious mental illness to effective, and less costly, community-based services; services that can help keep them stable in the first place, and therefore out of hospitals, Emergency Departments, and the legal system. That, in turn, maximizes their functioning and independence and gives them a better chance of holding down competitive employment, integrating into their communities, and meaningfully contributing to society.