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### MEMORANDUM

**TO:** Residential Level III and Level IV Providers  
Local Management Entities

**FROM:** Dr. Craig L. Gray  
Leza Wainwright

**SUBJECT: Proposed Changes in Residential Services and the Service Delivery System**

You may have become aware that the current state budget crisis in North Carolina is requiring the NC Department of Health and Human Services to make significant changes in our service delivery system. The State's deficits this year have reached unprecedented levels and very difficult decisions must be made given the constitutional requirement for a balanced budget.

This communication is designed to give providers of Residential Level III and IV services information concerning proposed changes. The Department is intending to restructure the Medicaid and State-funded child MH/DD/SA residential services and transition recipients to other appropriate treatment options. This is driven by the desire for best practice and by budgetary concerns. These proposed changes are described in special provisions of Senate Bill 202, Short Title: Appropriations Act of 2009 passed by the NC House of Representative on June 13, 2009, but yet to be agreed and passed by both the Senate and House. This proposed bill is available on the North Carolina General Assembly website at the following link:  
<http://www.ncga.state.nc.us/Sessions/2009/Bills/Senate/PDF/S202v6.pdf>

The Division of Medical Assistance (DMA) and the Division of Mental Health, Developmental Disabilities and Substance Abuse Services (DMH/DD/SAS) have convened the workgroup inclusive of providers, LMEs, prior authorization vendors, and other stakeholders and charged with development of a comprehensive plan to effectively transition recipients as stated in the above mentioned proposed special provisions. The workgroup recognizes the proposed changes impact the lives of providers, but have been requested to focus on the children/adolescents currently living in the homes affected by these changes and development of strategies, roles, responsibilities, and system components required to accomplish the transition in a manner that

focuses on the needs of the young people receiving these services. For details of the work being done by the workgroup, go to the DMA website at the following link:

<http://www.ncdhhs.gov/dma/provider/budgetinitiatives.htm>

**Please review the information at the links above and after study of these documents, please contact the System of Care (SOC) Coordinator at your Local Management Entity (LME) for additional information and for assistance in this transition. It is recommended that you monitor the DMA and DMH/DD/SAS websites in an effort to stay informed concerning proposed changes so that you may better advise the people you are supporting and your staff about transition options.**

Thank you for what you do for children as we move forward in this transition. An overview of additional proposed changes as of the date of this writing follows for your information and consideration.

**Community Support (CS):** CS is currently supported in the budget but with significant cuts. The Para-professional level of this service may be eliminated by the fall, and utilization (number of approved hours per week) may be further decreased. In addition, there is discussion of extracting the case management function of CS and making it a distinct service, part of another proposal to consolidate Case Management services.

**Residential Treatment:** Consistent with the budgetary issues concerning Level III & Level IV, Level II Group homes could also be at risk. Part of the transition planning process includes alternatives for children/adolescents in case current residential options are not only substantially reduced, but eliminated. It is therefore advised that the Level II home option be seen only as a controlled transitional option, but not an option that would shift large numbers of young people to this level of service.

**Therapeutic Foster Care (TFC) Level II—*Family Type*:** This definition may be discontinued in favor of a proposed new service definition called **Therapeutic Family Services (TFS)**. The TFS service definition is currently in an expedited approval process, and will soon be submitted to CMS for approval. The new TFS service would look similar to TFC; however providers would find additional supports to better treat challenging children/adolescents through this service. It is expected that existing TFC providers will be able to convert to TFS contingent upon their ability to assure increased supervision, training and support. With TFS the child placing agency would become, as with most Medicaid services, directly-enrolled with DMA and authorization, billing and payment done through the Department. The goal would be for a seamless transition from TFC to TFS with TFC ending one day and the new TFS beginning the next. While it is unknown when CMS will approve this definition, the goal is for TFS to begin sometime in 2009.

**Psychiatric Residential Treatment Facility (PRTF):** This service will remain. In addition, certain rules and restrictions may be amended to ensure improved capacity with intent for use of this treatment service for eligible children.

**Facility Based Crisis (for children):** There is an older deactivated service definition that is currently being reworked in order to provide additional options to children/adolescents as the residential treatment system is restructured. This service definition is currently in an expedited development and approval process, and will soon be submitted to CMS for approval.

**Intensive In-Home, Day Treatment, Multi-Systemic Therapy, Community-Support Team, Assertive Community Treatment Team, Substance Abuse Individual Outpatient Program,** etc will remain. A workgroup with representation from DMA, DMH, VO, LMEs, CFACs and the Provider community have and continue to meet to improve these definitions. Most of the proposed revisions for these services have been completed and are waiting for CMS approval expected in 2009.

We realize these changes will have an impact on your agencies and the children you serve. As mentioned at the beginning of this letter, this initiative is driven not only by budgetary concerns but also by the desire to promote best practices in the treatment of children. We look forward to working with you to assure a smooth transition for children in your care and appreciate your assistance to the children you have served. Please contact your LME if you need additional information.

Cc: Tara Larson  
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DMH/DD/SAS Executive Leadership Team  
Community Support Providers