

**Annual Report on Use of Funds to Purchase Inpatient  
Alcohol and Substance Use Disorder Treatment Services**

**Session Law 2020-78**



**Report to**

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

**and**

**Fiscal Research Division**

**by**

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

**September 1, 2020**

Pursuant to Session Law 2020-78, as shown below, the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall report annually, beginning September 1, 2020, and ending on September 1, 2026, on the implementation of the use of funds to purchase inpatient alcohol and substance use disorder treatment services for the prior fiscal year and the two preceding fiscal years to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division. **The purpose of this report is to satisfy this reporting requirement for the use of funds to purchase inpatient alcohol and substance use disorder treatment services for state fiscal years 2018, 2019, and 2020.**

**“Session Law 2020-78. Report on the use of funds to purchase inpatient alcohol and substance use disorder treatment services; Section 4E.2.**

The Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall report annually, beginning September 1, 2020, and ending on September 1, 2026, on the implementation of the use of funds to purchase inpatient alcohol and substance use disorder treatment services required by Section 12F.12 of S.L. 2015-241, as amended by Section 11F.4 of S.L. 2017-57. The report shall be submitted to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division with the following information for the prior fiscal year and the two preceding fiscal years, for each Alcohol and Drug Abuse Treatment Center (ADATC):

- (1) The number of beds in operation.
- (2) The number of bed days.
- (3) The total amount of receipts, the amount of those receipts that were received from local management entities/managed care organizations, and the amount of those receipts that were received from all other sources.
- (4) Cost of operation of the ADATC, with personnel and staffing costs reported separately from all other costs.
- (5) The ADATC’s profit or loss.”

In response to the legislative reduction, in SFY18, there was a reduction of 6 beds at R.J. Blackley (RJB) ADATC and 26 beds at Walter B. Jones (WBJ) ADATC and capacity remained the same at Julian F. Keith (JFK) ADATC. Hurricane Florence impacted admissions at both WBJ and RJB in September 2018 and during that year both ADATCs continued to operate at a reduced capacity due to recruitment and retention challenges (psychiatrist, physicians, nursing, healthcare technicians). In SFY18, WBJ continued the process of creating a separate and distinct business model and achieved Centers for Medicare and Medicaid Services (CMS) certification in April 2019. In SFY19, RJB and WBJ continued to experience recruitment and retention challenges which impacted capacity.

In SFY20, 89% of all patients admitted were uninsured and 80% of patient days were uninsured/self-pay. In July 2020, an estimated 1,099,647 persons ages 0-64 were uninsured in North Carolina (<https://www.census.gov/data/datasets/time-series/demo/sahie/estimates-acs.html>). Individuals identified as having 3rd party coverage may not have MH/SA benefits,

could be out of network, could have out-of-state coverage, or could have exhausted benefits for inpatient services and may end up being self-pay when admitted to an ADATC. Based on contractual adjustment allowances, the most significant loss of revenue is due to the capitated Institute for Mental Disease (IMD) rate being lower than the full cost room and board and general service charge. The resulting loss of revenue was JFK: SFY18 \$373,968; SFY19 \$939,491; SFY20 \$1,034,214 and RJB: SFY18 \$408,456; SFY19 \$1,404,702; SFY20 \$1,202,167. Another ongoing budgetary impact is the cost associated with agency staffing. Although stability of hiring a full-time employee (FTE) with benefits is preferable, however, due to recruitment and retention issues, ADATCs are often forced to rely on agency staffing which costs significantly more than a FTE. For example, the \$131,040 annual agency cost for a Registered Nurse (RN) is 177% of the \$73,758 FTE RN salary.

From 1999-2018, more than 14,500 North Carolinians lost their lives due to unintentional opioid overdose (<https://injuryfreenc.shinyapps.io/OpioidActionPlan/>). As of July 2020, 3.63% of persons age 12+ in North Carolina are estimated to use prescription pain relievers non-medically or use heroin (<https://www.samhsa.gov/data/report/2017-2018-nsduh-state-prevalence-estimates>). According to NC DETECT data, North Carolina has seen a 14% increase in medication/drug overdose emergency department visits in 2020 which is largely driven by a 15% increase in opioid overdose emergency department visits. In response to the statewide opioid epidemic, all three ADATCs began operating inpatient Opioid Treatment Programs (OTPs) in May 2019 and WBJ launched their outpatient OTP in December 2019 and established mechanisms for outpatient billing.

The ADATCs experienced an increase in demand and expanded operational capacity in March 2020 (JFK 72; RJB 60; WBJ 48). At the onset of COVID-19, the ADATCs took appropriate infection control measures, which unfortunately resulted in a temporary decrease in operational bed capacity. In addition, continuing to admit patients during the pandemic has had an impact on operational costs associated with inpatient treatment. New outpatient revenue sources and services for the ADATCs include WBJ executing a contract with Eastpointe and Trillium for Medicaid and working towards the establishment a contract with Trillium for state funds. RJB is completing a MOA with the Veterans Life Center North Carolina (VLCNC) in Butner, which is opening in August 2020, to provide outpatient medical and substance abuse services to homeless veterans. JFK and Vaya have been successful in utilizing on-site peer support services, which is the foundation for JFKs upcoming expansion to provide outpatient peer support to assist individuals with referral and discharge. The ADATCs will continue to engage with community partners with the goal of increasing service line expansion to carry out the mission and generate additional revenue.

**(1) The number of beds in operation.**

The number of beds in operation is defined as the total number of beds that are currently staffed on the last day of the month. This is captured monthly, at a point in time and averaged across the 12 months in the state fiscal year.

<b>Operational Beds</b>			
<b>ADATC</b>	<b>SFY18</b>	<b>SFY19</b>	<b>SFY20</b>
JFK	68	68	65
RJB	40	41	47
WBJ	38	41	44

**(2) The number of bed days.**

A bed day is a day during which a patient is admitted and stays overnight at the ADATC. The total number of bed days is inclusive of all ADATC services provided during the admission.

<b>Beds Days</b>			
<b>ADATC</b>	<b>SFY18</b>	<b>SFY19</b>	<b>SFY20</b>
JFK	20,683	20,582	20,005
RJB	9,381	9,839	12,988
WBJ	8,069	8,516	11,815

**(3) The total amount of receipts, the amount of those receipts that were received from local management entities/managed care organizations, and the amount of those receipts that were received from all other sources.**

<b>Total Amount of Receipts</b>									
<b>SFY</b>	<b>SFY18</b>			<b>SFY19</b>			<b>SFY20</b>		
<b>ADATC</b>	<b>LME/MCO</b>	<b>Other*</b>	<b>Total</b>	<b>LME/MCO</b>	<b>Other*</b>	<b>Total</b>	<b>LME/MCO</b>	<b>Other*</b>	<b>Total</b>
JFK	\$12,439,211	\$1,919,335	\$14,358,546	\$13,041,065	\$2,363,940	\$15,405,005	\$11,808,284	\$2,767,535	\$14,575,819
RJB	\$10,338,510	\$1,133,685	\$11,472,195	\$8,509,303	\$1,858,392	\$10,367,695**	\$9,535,483	\$2,402,544	\$11,938,027
WBJ	\$10,308,666	\$81,217	\$10,389,883	\$11,521,318	\$98,290	\$11,619,608	\$10,654,268	\$806,867	\$11,461,135

\*Other includes self-pay/government benefits, third party, Medicare, non-Medicaid, and Medicaid.

\*\*\$10,155 of the Total for RJB was a FYE 2016 Part A Cost Settlement.

**(4) Cost of operation of the ADATC, with personnel and staffing costs reported separately from all other costs.**

The total operating costs are inclusive of personnel and staffing services and non-salary expenditures.

<b>Cost of Operation</b>									
<b>SFY</b>	<b>SFY18</b>			<b>SFY19</b>			<b>SFY20</b>		
<b>ADATC</b>	<b>Personnel &amp; Staff Expenses</b>	<b>All Other Expenses</b>	<b>Total Operating Costs</b>	<b>Personnel &amp; Staff Expenses</b>	<b>All Other Expenses</b>	<b>Total Operating Costs</b>	<b>Personnel &amp; Staff Expenses</b>	<b>All Other Expenses</b>	<b>Total Operating Costs</b>
JFK	\$13,313,228	\$4,096,943	\$17,410,172	\$14,232,459	\$3,897,672	\$18,130,132	\$15,288,761	\$4,261,247	\$19,550,008
RJB	\$9,576,677	\$4,397,153	\$13,973,830	\$10,997,903	\$3,441,509	\$14,439,412	\$12,182,784	\$5,173,356	\$17,356,140
WBJ	\$10,776,846	\$3,489,816	\$14,266,662	\$12,116,762	\$3,267,285	\$15,384,047	\$13,476,011	\$4,906,461	\$18,382,472

**(5) The ADATC's profit or loss.**

The profit or loss is derived from deducting the total expenditures from the total revenues (with accrual).

<b>Profit or Loss</b>			
<b>ADATC</b>	<b>SFY18</b>	<b>SFY19</b>	<b>SFY20</b>
JFK	(\$3,000,411)	(\$2,672,550)	(\$4,925,338)
RJB	(\$2,496,864)	(\$4,063,158)	(\$5,412,993)
WBJ	(\$3,858,369)	(\$3,759,472)	(\$6,915,626)