

# **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, 2022**

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 2020, 2021, and 2022.**

**“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 ADATCs profit or loss.”

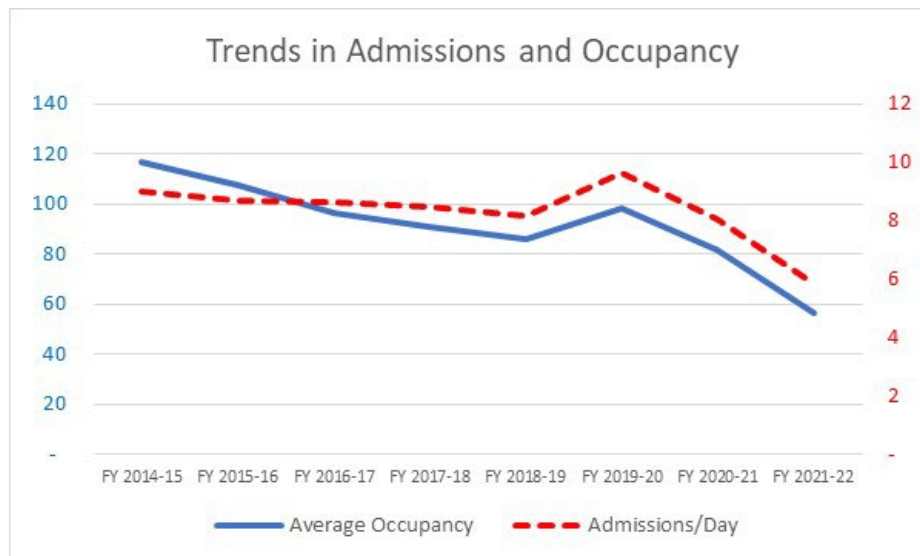
According to the most recent data available, an estimated 1,035,600 persons ages 0-64 were uninsured in North Carolina ([Distribution of the Nonelderly Uninsured by Age \(CPS\)](#)). From 2000-2020, more than 28,000 North Carolinians lost their lives due to unintentional drug overdose. This is almost double the number of deaths in comparison to the 1999-2019 report of 14,500. While there was initially a decrease in medicine and drug overdose emergency department visits from 2017 to 2018, there was a resurgence of overdoses beginning in 2020 as a result of the COVID-19 pandemic. DHHS attributed this to an increase in addiction, more use of substances, and as a result, more overdose deaths (<https://www.ncdhhs.gov/opioid-and-substance-use-action-plan-data-dashboard>).

The ADATCs continue to provide inpatient alcohol and substance use disorder treatment as well as specialized inpatient Opioid Treatment Programs (OTPs). In response to the opioid epidemic, Walter B. Jones (WBJ) operates their outpatient OTP and Julian F. Keith (JFK) launched outpatient services in July 2021 and as of July 2022, are now offering injectable

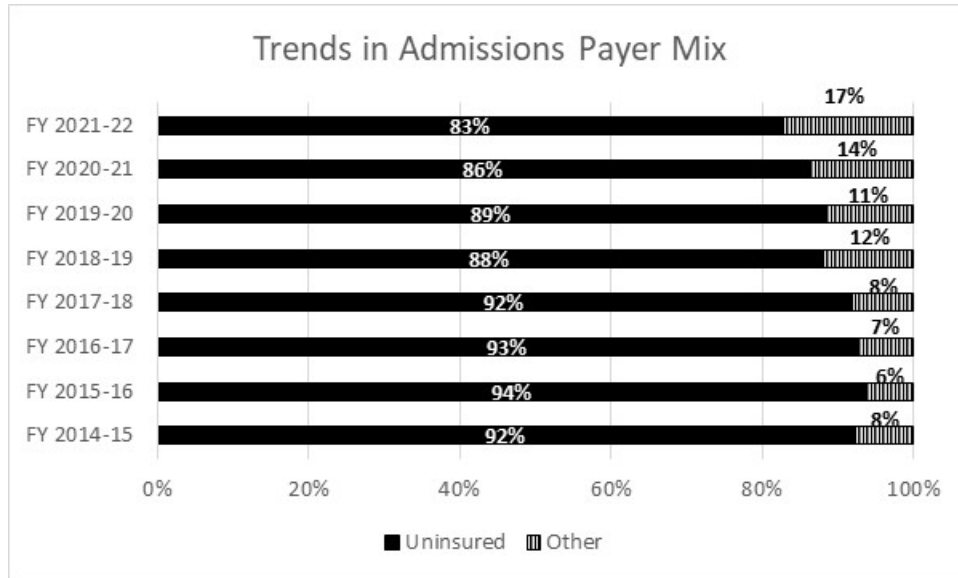
Medication Assisted Treatment (MAT) options to individuals diagnosed with an opioid use disorder.

The ADATCs primary purpose has been to provide inpatient services to individuals not otherwise addressed by community providers that require the most extraordinary or highest level of care based on accepted standards using the American Society of Addiction Medicine (ASAM). This results in higher per day patient costs. Declining occupancy and unfunded salary increases have made it difficult to adjust to the marketplace. The lack of Medicaid expansion contributes to less patients with a payer source and the legislative decline in LME/MC requirements to purchase days at the ADATC contribute to a lower occupancy rate. Unexpected pressures like the pandemic have added to the financial stress on ADATCs. The ADATCs have worked to increase utilization from Medicaid, Medicare, commercial and other payers as well as implemented outpatient programs to create new sources of receipts. NCDHHS has initiated actions in several areas to assess and improve the ADATCs financial position and ability to operate as receipt-supported organizations. Specifically, NCDHHS engaged Mercer Government to support the development of an implementable plan for sustainability of the ADATCs, implemented a DSOHF-wide training program for business management, and completed detailed reviews of both spending and receipt trends. The ongoing lack of funding for ADATC staff salary increases creates an ongoing cyclical need for new receipts or lowered expenses to offset those increased costs.

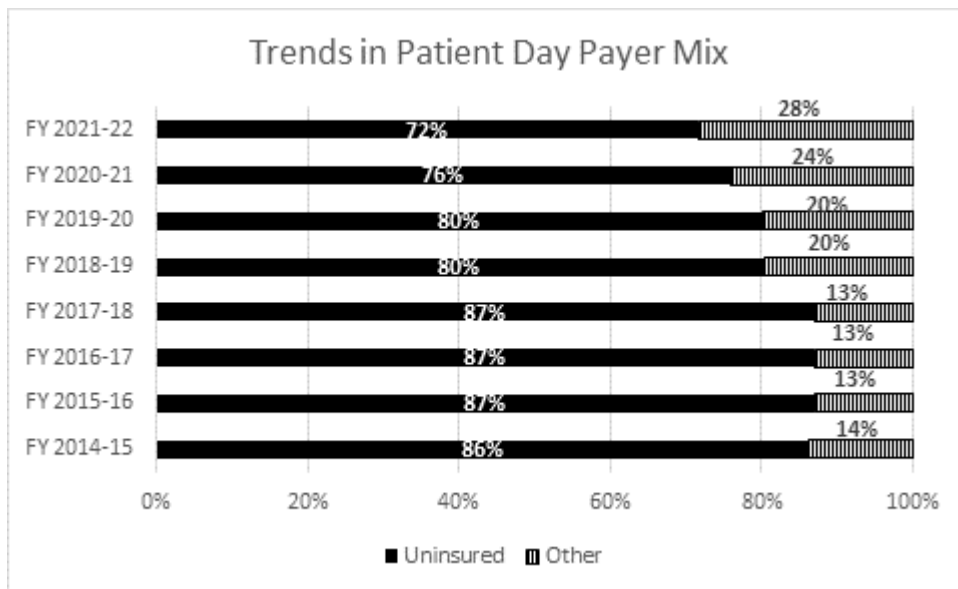
In SFY22, 82.8% of all patients admitted were uninsured and 71.6% of patient days were uninsured/self-pay. The following charts reflect the trends in admissions per day and average occupancy at the ADATCs:



The patients admitted to the ADATCs have increasingly been covered by funding sources other than the allocation to the LME/MCOs. This is reflected in the charts below:



Patient Days have reflected similar trends in admissions as reflected in the chart below:



The “Other” category includes individuals with Medicare, Commercial Insurance and Medicaid. The table to the right presents the trends in % of those covered by Medicaid and non-Medicaid plans. Individuals identified as having 3rd party coverage, other than Medicaid, may not have MH/SA benefits covered, 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.

|                   | <i>Third Party Medicaid</i> |       |
|-------------------|-----------------------------|-------|
| <b>FY 2014-15</b> | 7.2%                        | 0.4%  |
| <b>FY 2015-16</b> | 5.5%                        | 0.6%  |
| <b>FY 2016-17</b> | 6.7%                        | 0.6%  |
| <b>FY 2017-18</b> | 6.9%                        | 1.1%  |
| <b>FY 2018-19</b> | 6.3%                        | 5.7%  |
| <b>FY 2019-20</b> | 5.2%                        | 6.3%  |
| <b>FY 2020-21</b> | 5.1%                        | 8.7%  |
| <b>FY 2021-22</b> | 6.0%                        | 11.2% |

New outpatient revenue sources and services for the ADATCs include WBJ executing a contract with Eastpointe, Trillium, Partners, and Vaya for Medicaid and with Eastpointe and Trillium for state funds. 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.

Collectively, the Alcohol and Drug Abuse Treatment Centers (ADATC) have produced a shortfall every year since the ADATCs were converted into receipt supported facilities in 2015<sup>1</sup>. In an effort to address this shortfall, in February 2022, the Division of State Operated Healthcare Facilities (DSOHF) awarded a one-year contract to Mercer Government to assist in establishing a Sustainable Business Model within the first half of FY2022-23. By engaging in this contract, DSOHF anticipates being in a position to identify/define the appropriate ADATC service array to meet the evolving behavioral health needs of the statewide Substance Use Disorder (SUD) and co-occurring continuum, develop a sustainable operational business model, outline implementable strategic plan goals and objectives to meet the needs defined and achieve the sustainable operational business model, forecast revenue and expenditures as a result of implementing the business model and accomplish the strategic plan goals and objectives, and establish outcome measures and reporting metrics.

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<sup>1</sup> As required by SL 2015-241

**(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>SFY20</b> | <b>SFY21</b> | <b>SFY22</b> |
| JFK                     | 65           | 54           | 41           |
| RJB                     | 47           | 40           | 37           |
| WBJ                     | 44           | 48           | 40           |

**(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>SFY20</b> | <b>SFY21</b> | <b>SFY22</b> |
| JFK              | 20,005       | 16,315       | 13,417       |
| RJB              | 12,988       | 10,646       | 7,861        |
| WBJ              | 11,815       | 12,179       | 7,592        |

**(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 as reported in the BD701.**

| <b>Total Amount of Receipts</b> |                |               |              |                |               |              |                 |               |              |
|---------------------------------|----------------|---------------|--------------|----------------|---------------|--------------|-----------------|---------------|--------------|
| <b>SFY</b>                      | <b>SFY20**</b> |               |              | <b>SFY21**</b> |               |              | <b>SFY22***</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                             | \$11,808,284   | \$2,816,387   | \$14,624,670 | \$13,203,844   | \$3,032,632   | \$16,236,476 | \$13,531,868    | \$3,111,765   | \$16,643,633 |
| RJB                             | \$9,535,483    | \$2,407,644   | \$11,943,147 | \$9,991,669    | \$3,532,683   | \$13,524,352 | \$6,963,294     | \$1,632,075   | \$8,595,370  |
| WBJ                             | \$10,654,268   | \$814,737     | \$11,469,004 | \$11,695,497   | \$1,308,750   | \$13,004,248 | \$6,363,332     | \$1,101,506   | \$7,464,838  |

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

\*\*Receipts were updated to reflect totals reported in the closing BD701.

\*\*\* SFY22 accounting records were not closed at the time of this report submission. The total includes receipts reported in the July, 2022 BD701.

**(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>SFY20*</b>                         |                           |                              | <b>SFY21*</b>                         |                           |                              | <b>SFY22**</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                      | \$15,288,761                          | \$4,708,878               | \$19,997,639                 | \$16,867,782                          | \$3,873,896               | \$20,741,678                 | \$15,426,405                          | \$3,806,274               | \$19,232,679                 |
| RJB                      | \$12,182,784                          | \$5,362,282               | \$17,545,066                 | \$13,451,222                          | \$6,024,116               | \$19,475,338                 | \$12,267,967                          | \$6,698,109               | \$18,966,075                 |
| WBJ                      | \$13,476,011                          | \$4,908,961               | \$18,384,972                 | \$14,481,743                          | \$7,504,044               | \$21,985,787                 | \$11,758,224                          | \$7,628,695               | \$19,386,919                 |

\*Costs of Operation were updated to reflect totals reported in the closing BD701.

\*\*SFY22 accounting records were not closed at the time of this report submission. The total includes costs reported in the July, 2022 BD701.

**(5) The ADATCs 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>SFY20*</b> | <b>SFY21*</b> | <b>SFY22**</b> |
| JFK                   | (\$5,372,969) | (\$4,505,202) | (\$2,589,046)  |
| RJB                   | (\$5,601,919) | (\$5,950,986) | (\$10,370,705) |
| WBJ                   | (\$6,915,968) | (\$8,981,539) | (\$11,922,081) |

\*Profit or loss was updated to reflect totals reported in the closing BD701.

\*\*SFY22 accounting records were not closed at the time of this report submission. The total includes profit or loss reported in the July, 2022 BD701.