



STATE OF NORTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES

JOSH STEIN
GOVERNOR

DEVPUTTA SANGVAI
SECRETARY

February 4, 2026

SENT VIA ELECTRONIC MAIL

The Honorable Carla Cunningham, Chair
Joint Legislative Oversight Committee on
Health and Human Services
North Carolina General Assembly
Room 403, Legislative Office Building
Raleigh, NC 27603

The Honorable Donny Lambeth, Chair
Joint Legislative Oversight Committee on
Health and Human Services
North Carolina General Assembly
Room 303, Legislative Office Building
Raleigh, NC 27603

The Honorable Larry Potts, Chair
Joint Legislative Oversight Committee on
Health and Human Services
North Carolina General Assembly
Room 307B1, Legislative Office Building
Raleigh, NC 27603

The Honorable Jim Burgin, Chair
Joint Legislative Oversight Committee on
Health and Human Services
North Carolina General Assembly
Room 620, Legislative Office Building
Raleigh, NC 27603

Dear Chairmen:

Session Law 2016-94, Section 12F.4.(d), requires the Department of Health and Human Services (“Department”) to report annually to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division on the number and location of additional licensed short-term, inpatient behavioral health beds brought into operation with funds allocated under subsection (a) of this section.

Additionally, Session Law 2018-5, Section 11F.2, requires the Department to report annually on the number of beds or bed days reserved for and purchased by (i) the Department under the State-administered, three-way contract and (ii) the LME/MCOs for individuals who are indigent or Medicaid recipients.

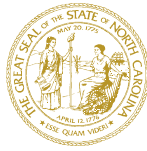
Pursuant to the provisions of law, the Department is pleased to submit the attached report.

Should you have any questions regarding this report, please contact Karen Wade, Director of Policy, at Karen.Wade@dhhs.nc.gov.

Sincerely,

Signed by:

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Devdutta Sangvai
Secretary



STATE OF NORTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES

JOSH STEIN
GOVERNOR

DEVDUTTA SANGVAI
SECRETARY

February 4, 2026

SENT VIA ELECTRONIC MAIL

Mr. Brian Matteson, Director
Fiscal Research Division
Suite 619, Legislative Office Building
Raleigh, NC 27603-5925

Dear Director Matteson:

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Signed by:


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Devdutta Sangvai
Secretary

WWW.NCDHHS.GOV

TEL 919-855-4800 • FAX 919-715-4645

LOCATION: 1915 HEALTH SERVICES WAY • RALEIGH, NC 27607

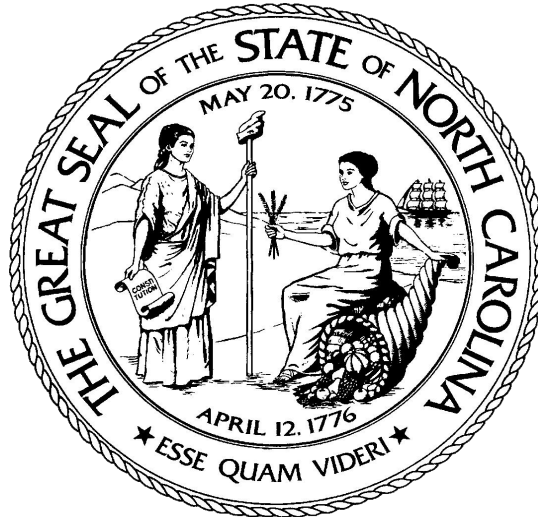
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AN EQUAL OPPORTUNITY / AFFIRMATIVE ACTION EMPLOYER

**Use of Dorothea Dix Hospital Property Funds to Increase
Short– Term, Inpatient Behavioral Health Bed Capacity
in Rural Areas of the State with the Highest Need**

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

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

February 4, 2026

Executive Summary

The Dorothea Dix Hospital Project Fund initially created eight contracts totaling \$34,435,069. One DDHPF project with Southeastern Regional Medical Center – funded at \$1,389,912 – was unable to proceed based on projected costs exceeding the contracted amount. That contract was terminated and no funds were expended. This decreased the contract total to \$33,045,157. Of the 211 operational beds located in renovated or newly constructed facilities, 195 are psychiatric inpatient beds in community hospitals and 16 beds are in a Facility–Based Crisis program.

The total contracted amount for the additional DDHPF projects is \$4,015,443, bringing the total amount of contracts to date to \$37,06,600. These projects have increased operational, adult, adolescent, and facility-based crisis psychiatric beds to 211. An additional 16 child/adolescent psychiatric beds will be added once Harnett Health Systems bed development is complete. Harnett Health Systems has an expected completion date of March 31, 2026.

During SFY25, all DDHPF facilities reported providing 23,646 days of behavioral health services to individuals who are on Medicaid or were uninsured. Utilization of total licensed beds is 82%.

Reporting Requirements

S.L. 2016-94, Section 12F.4.(d) Beginning November 1, 2017, the Department of Health and Human Services shall annually report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division on the number and location of additional licensed short–term, inpatient behavioral health beds brought into operation with funds allocated under subsection (a) of this section.

S.L. 2017-57, Section 11F.5.(e) as amended by S.L. 2018-5, Section 11F.2. Report on Use of Funds to Purchase Additional Beds. – Beginning November 1, 2018, the Department of Health and Human Services shall annually report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division on the number and location of additional licensed inpatient behavioral health beds brought into operation with funds allocated under subsection (a) of this section and, of this number, and pursuant to subsection (d) of this section, the number of beds or bed days reserved for and purchased by (i) the Department under the State–administered, three–way contract and (ii) the LME/MCOs for individuals who are indigent or Medicaid recipients.

This report addresses the reporting requirements identified in the two excerpted paragraphs above.

Number and Location of Behavioral Health Bed Capacity Funded

Of the eight Dorothea Dix Hospital Property Fund (DDHPF) contracts originally executed, seven are with hospitals or hospital systems to renovate or construct a total of 157 psychiatric inpatient beds: 16 licensed child/adolescent inpatient beds and 141 licensed adult psychiatric inpatient beds. There is also a DDHPF contract with Onslow County, which was executed to fund 16 licensed Facility–Based Crisis (FBC) beds for adults. In total, the Session Laws

identified appropriated DDHPF funding for the development of 173 behavioral health beds throughout the State. However, one of the DDHPF contracts was not completed due to an increase in estimated costs that exceeded the award amount. This contract was terminated and never funded. This reduced the number of projected DDHPF beds to be developed at that time by eight, bringing the total projected DDHPF psychiatric beds to 165.

During SFY24, Good Hope Hospital added 16 adult beds and Johnston Health Enterprises added 6 beds, resulting in a total of 187 beds developed using DDHPF funding. All the hospitals funded through DDHPF had 40 existing beds combined, bringing the combined total to 227 beds (existing plus DDHPF-funded). Harnett Health Systems is currently developing 16 child/adolescent beds, which are expected to become operational by March 31, 2026. As of now, the total number of operational beds is 211. No additional beds became operational in SFY25.

Additional DDHPF Projects

Additional funds from the DDHPF were appropriated in S.L. 2021-180, Section 9F.9(a) for three design/construction projects focused on increasing behavioral health inpatient beds in rural areas with the highest need. The special appropriations were designated for projects at Harnett County Health System’s Betsy Johnson Hospital, Johnston Health Enterprises, Inc., and Good Hope Hospital in Harnett County. The appropriation for Good Hope Hospital was a second appropriation to provide additional funding needed to complete the project. S.L. 2021-180 also provided funding from the State Capital and Infrastructure Fund for these three hospitals. S.L. 2022-6, Section 3.4(a) amended S.L. 2021- 180, Section 9F.9(a)(2) to allow Harnett County Health System, Inc. to select an alternative site for the project in Harnett County (other than Betsy Johnson Hospital). The additional funding allocated to Good Hope Hospital enabled the completion of 32 total adult psychiatric beds. Johnston Health Enterprises added six additional adult psychiatric beds in June 2024, which brought the total of licensed beds for Johnston Health Enterprises to 26 licensed adult psychiatric beds. Harnett Health System is developing an additional 16 child/adolescent psychiatric beds. The anticipated completion date is March 31, 2026. Once Harnett Health Systems’ beds are completed and operational, the DDHPF projects will have increased North Carolina psychiatric bed capacity to 227 beds.

Table 1, below, presents a summary of the DDHPF project status. All contracts have been executed, and the design/construction projects have been completed, with one exception (i.e., Harnett Health Systems), with 211 beds brought into operation thus far. The estimated completion date for Harnett Health System is reflected below.

Table 1: Contractors, Locations, Beds & State Funding

Contractor	County LME/MCO	Number of Existing Beds Prior to DDHPF	Number of Beds Being Developed	Type of Beds to be Licensed	Contract Amount	Number of Operational Beds or Completion Estimation
Appalachian Regional Behavioral Health	Avery Vaya Health	0	37	Adult Psychiatric Inpatient	\$6,503,478	37
Caldwell UNC Health	Caldwell Vaya Health	0	27	Adult Psychiatric Inpatient	\$4,000,000	27
Cape Fear Valley Health System	Cumberland Alliance Health	0	16	Child/Adolescent Psychiatric Inpatient	\$4,000,000	16
DLP Maria Parham	Franklin Vaya Health	0	33	Adult Psychiatric Inpatient	\$10,103,500	33
Good Hope Hospital	Harnett Alliance Health	16	16	Adult Psychiatric Inpatient	\$4,420,481	32
Harnett Health Systems, Inc.	Harnett Alliance Health	0	16	Child/Adolescent Psychiatric Inpatient	\$1,420,481	03/31/26
Johnston Health Enterprises	Johnston Alliance Health	20	6	Adult Psychiatric Inpatient	\$1,420,481	26
MH–Mission Hospital	Buncombe Vaya Health	4	20	Adult Psychiatric Inpatient	\$3,438,179*	24

Contractor	County LME/MCO	Number of Existing Beds Prior to DDHPF	Number of Beds Developed through DDHPF	Type of Beds to be Licensed	Contract Amount	Number of Operational Beds or Completion Estimation
Onslow County	Onslow Trillium Health Resources	0	16	Facility Based Crisis – Adult	\$2,000,000	16
TOTAL		40	187		\$3,706,600	211 Operational

*Note: S.L. 2017-57 appropriated up to \$4 million for MH–Mission Hospital.

Number of Beds Reserved for and Purchased by DHHS

Both S.L. 2016-94 and S.L. 2017-57 require that the contractors reserve at least 50% of the added beds or bed days for possible purchase by DHHS via Three–Way Contracts for psychiatric inpatient care and by LME/MCOs for people who are indigent or are Medicaid recipients. Actual purchase of reserved bed days will be subject to need, eligibility, and available resources.

Thirteen geriatric psychiatric inpatient beds at DLP Maria Parham in Franklin County became operational in October 2018, and construction for another 20 licensed adult psychiatric inpatient beds was subsequently completed in February 2020; all 33 beds were licensed and operational by March 2020. Twenty psychiatric inpatient beds opened in MH Mission Hospital in March 2019. In July 2019, Recovery Innovations, Inc. began serving individuals experiencing behavioral health crises in the 16 FBC Onslow County facility. On January 1, 2025, Easterseals Health Port assumed service delivery at this facility. Caldwell UNC Health’s 27 adult psychiatric inpatient beds are all operational. Charles A. Cannon, Jr. Memorial Hospital’s project created a new facility, Appalachian Regional Behavioral Health, with 27 beds developed by grant funding and 10 transferred from Cannon Memorial for a total of 37 licensed beds becoming operational as of June 1, 2022. Cannon Memorial then closed. Cape Fear Valley Health System has 16 licensed child/adolescent psychiatric inpatient beds. Each of these facilities has received designation as an Involuntary Commitment (IVC) facility for the new beds.

Of the 211 operational beds, Table 2 below identifies the number of bed days between July 1, 2024, and June 30, 2025 (SFY 2025) that have been reported to the Division of Mental Health, Developmental Disabilities, and Substance Use Services (DMH/DD/SUS) by the seven hospitals and the FBC provider during which behavioral health services were delivered to people needing such care. The bed days reported by the eight organizations were paid from two funding sources overseen by NC DHHS: Medicaid paid by LME/MCOs and state funds for the uninsured (referred to as medically indigent). The state–funded FBC bed days were paid from LME/MCO single stream dollars, while the state–funded psychiatric inpatient care was paid via a small portion of single stream dollars but primarily through Three–Way Psychiatric Inpatient funds that are a shared contract between DMH/DD/SUS, the LME/MCOs, and designated hospitals.

During SFY 2025, the DDHPF completed facilities with operational beds reported the following total bed days: 3,254 for Appalachian Regional Behavioral Health; 1,025 for Caldwell UNC Health; 4,961 for Cape Fear; 4,489 for DLP Maria Parham; 4,631 for MH Mission Hospital, 661 for Johnston Health Services, 2,861 for Good Hope Hospital; and 1,764 for Onslow county’s Dix Crisis Intervention Center.

Table 2 below also reflects the number of days individuals received psychiatric inpatient or FBC services, with the payer source for the individuals being either Medicaid or the persons had no identified health insurance coverage. Persons identified as having Medicaid utilized 19,423 bed days; persons identified as having no health insurance coverage utilized 4,226 bed days. A total of 23,646 bed days were reported for the 211 operational DDHPF beds.

Table 2: Bed Days from July 1, 2024 to June 30, 2025

Contractor	LME-MCO	Service Type	Bed Days: Medicaid	Bed Days: Self-Pay, Medically Indigent	Combined Bed Days
Appalachian Regional Behavioral Health	Vaya Health	Adult Psychiatric Inpatient	2,778	476	3,254
Caldwell UNC Health	Vaya Health	Adult Psychiatric Inpatient	964	61	1,025
Cape Fear Valley Health System	Alliance Health	Adolescent Psychiatric Inpatient	4,654	307	4,961
DLP Maria Parham	Vaya Health	Adult & Geriatric Psychiatric Inpatient	2,414	2,075	4,489
Good Hope Hospital	Alliance Health	Adult Psychiatric Inpatient	1,881	980	2,861
Johnston Health Enterprises	Alliance Health	Adult Psychiatric Inpatient	471	190	661
Mission Health System	Vaya Health	Adult Psychiatric Inpatient	4,505	126	4,631

Contractor	LME-MCO	Service Type	Bed Days: Medicaid	Bed Days: Self-Pay, Medically Indigent	Combined Bed Days
Onslow County (Provider: Recovery Innovations, Inc. 7/1/24 – 12/31/24 Easterseals PORT 1/1/25 – 6/30/25)	Trillium Health	Facility Based Crisis – Adults	1,756	11	1,764
TOTAL			19,423	4,226	23,646

Psychiatric Inpatient Bed Utilization Throughout North Carolina

The beds developed from the DDHPF are adding to the total psychiatric inpatient beds in community hospitals throughout the State. According to North Carolina Behavioral Health Statewide Availability Navigator (BH Scan), which is the online central bed registry that provides an inventory of available beds in the State, there were 3,953 licensed inpatient beds, 3,233 in patient operational beds, totaling 23,646 total days of care. Utilization of these inpatient psychiatric beds was 82%.

Inventory and Utilization of Psychiatric Beds, Excluding State Hospitals SFY 2025*

NC Psychiatric Beds FFY 2025

Licensed Beds	Operational Beds	Total days of Care	%Utilization of Total Licensed Beds
3,953	3,233	23,646	82%

**Source: North Carolina Behavioral Health Statewide Availability Navigator (BH SCAN) SFY2025.*

North Carolina Dorothea Dix Hospital Property Funded Contracts New Behavioral Health Beds: Operational Beds and In Development As of July 1, 2025

