NORTH CAROLINA GENERAL ASSEMBLY

JOINT LEGISLATIVE OVERSIGHT COMMITTEE ON HEALTH AND HUMAN SERVICES

REPORT TO THE 2013 GENERAL ASSEMBLY

JANUARY 2013

TABLE OF CONTENTS

LETTER OF TRANSMITTAL 3

COMMITTEE MEMBERSHIP 4

COMMITTEE PROCEEDINGS 5

FINDINGS AND RECOMMENDATIONS 19

APPENDIX: REPORT FROM THE SUBCOMMITTEE ON MENTAL HEALTH 21
- MEMBERSHIP LIST
- PROCEEDINGS
- FINDINGS AND RECOMMENDATIONS
- AUTHORIZING LEGISLATION

TRANSMITTAL LETTER

January 8, 2013

To: President of the North Carolina Senate
President Pro Tempore of the North Carolina Senate
Speaker of the North Carolina House of Representatives
Members of the 2013 Regular Session of the 2013 General Assembly

The Joint Legislative Oversight Committee on Health and Human Services was established by Article 23A, Chapter 120, of the North Carolina General Statutes. The Committee is charged with examining, on a continuing basis, the systemwide issues affecting the development, budgeting, financing, administration, and delivery of health and human services, including issues relating to the governance, accountability, and quality of health and human services delivered to individuals and families in this State.

Pursuant to S.L. 2012-142, Sec. 10.11, as amended by S.L. 2012-145, Sec. 3.4, the Joint Legislative Oversight Committee on Health and Human Services appointed a subcommittee to examine the State's delivery of mental health services. The Subcommittee met four times during the 2012 interim and approved a report containing recommendations, which is included in the Appendix. On January 8, 2013, the Subcommittee report was presented to the Joint Legislative Oversight Committee.

The Joint Legislative Oversight Committee on Health and Human Services met six times between August 14, 2012 and January 8, 2013, and respectfully submits the following report.

Senator Louis Pate
Co-Chair

Representative Justin Burr
Co-Chair

Representative Nelson Dollar
Co-Chair

COMMITTEE MEMBERSHIP

Co-Chairs

Rep. Justin P. Burr (Co-Chair)	House Appointment
Rep. Nelson Dollar (Co-Chair)	House Appointment
Sen. Louis Pate (Co-Chair)	Senate Appointment

Legislative Members

Rep. Martha B. Alexander	House Appointment
Rep. William D. Brisson	House Appointment
Rep. William A. Current, Sr.	House Appointment
Rep. Mark W. Hollo	House Appointment
Rep. Pat B. Hurley	House Appointment
Rep. Bert Jones	House Appointment
Rep. Marian N. McLawhorn	House Appointment
Rep. Tom Murry	House Appointment
Rep. Fred F. Steen, II	House Appointment
Sen. Austin M. Allran	Senate Appointment
Sen. Doug Berger	Senate Appointment
Sen. Stan Bingham	Senate Appointment
Sen. Harris Blake	Senate Appointment
Sen. Jim Davis	Senate Appointment
Sen. Fletcher L. Hartsell, Jr.	Senate Appointment
Sen. Eric Mansfield	Senate Appointment
Sen. Martin L. Nesbitt, Jr.	Senate Appointment
Sen. William R. Purcell	Senate Appointment
Sen. Tommy Tucker	Senate Appointment

Staff

Candace Slate, Committee Assistant
Dina Long, Committee Assistant

Joyce Jones, Bill Drafting Division

Donnie Charleston, Fiscal Research Division
Karlynn O'Shaughnessy, Fiscal Research Division
Susan Morgan, Fiscal Research Division
Denise Thomas, Fiscal Research Division

Amy Jo Johnson, Research Division
Theresa Matula, Research Division
Patsy Pierce, Research Division
Susan Barham, Research Division
Sara Kamprath, Research Division
Janice Paul, Research Division
Barbara Riley, Research Division

Pat Porter, Consultant

COMMITTEE PROCEEDINGS

The Joint Legislative Oversight Committee on Health and Human Services met six times between August 14, 2012 and January 8, 2013. The information below provides an overview of presentations received and issues discussed by the Committee. Detailed minutes and copies of handouts from each meeting are on file in the Legislative Library or at the following link:
http://www.ncleg.net/gascripts/DocumentSites/browseDocSite.asp?nID=144

Overview of Topics and Presenters

August 14, 2012

2012 Session Overview (Budget and Substantive Laws)

- Lisa Hollowell, Fiscal Research Division
- Jan Paul, Research Division
- Department of Health and Human Services (DHHS) Response
  Al Delia, Acting Secretary
  Jim Slate, Director, DHHS Budget and Analysis

Update on BC Waiver Implementation

- Denise Thomas, Fiscal Research Division
- Mercer Report on Western Highlands
  Michael Prinski, Principal, Mercer Government Services Consulting
- Western Highlands Response
  Charlie Schoenheit, Interim CEO, Western Highlands Network
- DHHS -Status Update
  Michael Watson, Director, Division of Medical Assistance
  Steve Owen, Chief Business Operating Officer, Division of Medical Assistance

Institutions of Mental Disease, US DOJ Complaint, and Personal Care Services

- **Status Update**
  Jan Paul, Research Division
- **United States Department of Justice (US DOJ) Complaint**
  Emery Milliken, General Counsel, Department of Health and Human Services
- **Institutions of Mental Disease (IMD)**
  Tara Larson, Chief Clinical Operating Officer, Division of Medical Assistance
- **Personal Care Services (PCS)**
  Tara Larson, Chief Clinical Operating Officer, Division of Medical Assistance

Evaluation of Medicaid

- Denise Thomas, Fiscal Research Division
- Division of Medical Assistance – RFP for Medicaid Evaluation
  Michael Watson, Director, Division of Medical Assistance
- State Auditor’s Office Audit of Medicaid
  Kenneth Barnette, Performance Audit Manager

Update on Consolidation of Leased Space for DHHS Administrative Offices
- Mark Bondo, Fiscal Research Division
- Terry Hatcher, Director, Division of Property and Construction
- Anne Bander, Chief Operating Officer, Department of Administration

September 11, 2012

Financial Related Audit – Selected Contracts with Vendors to Identify Improper Payments Medicaid's Provider and Beneficiary Fraud, Waste and Abuse Contracts
Beth A. Wood, CPA, North Carolina State Auditor

Budget Implementation Report
- Status Report of Number of Aged, Blind and Disabled Medicaid Recipients Enrolled by Community Care of North Carolina, Inc.
- Review SPA list (submitted/pending/delayed, etc.)
- 1915(i) Application Status (S.L. 2012-142, Sec. 9E, and S.L. 2012-145, Sec. 3.5)
- Status of Non-Emergency Medicaid Transportation (S.L. 2012-142, Sec. 10.7)
- Present Plan and Timeline to Meet Pharmacy Savings (S.L. 2012-142, Sec. 10.8)
- Medicaid Budget Update

Michael Watson, Director, Division of Medical Assistance
Steve Owen, Chief Business Operating Officer, Division of Medical Assistance

Update from DHHS on DOJ Settlement Agreement
- Present Plan and Funding Requirements
  Beth Melcher, Deputy Secretary for Health Services

1915 (b)(c) Waiver Update
- Status of LME/MCO Conversions
- Implementation Update and Impact on the Budget
- Update on Western Highlands

Kelly Crosbie, Chief, Behavioral Health Section, Division of Medical Assistance

MMIS Status Report (Response to Questions from Staff)
Paul Guthery, Senior Program Manager, MMIS

October 16, 2012

Update on Consolidation of Leased Space for DHHS Administrative Offices
Ann Bander, Chief Operating Officer, Department of Administration

Monthly Medicaid Budget Update
Steve Owen, Chief Business Operating Officer, Division of Medical Assistance

1915 (b)(c) Waiver Update
- Update LME/MCO Conversion Schedule
- Readiness Report
- Estimated Monthly cost per LME of Delayed Implementation

Kelly Crosbie, Chief, Behavioral Health Section, Division of Medical Assistance

Status Report: Cherry Hospital Replacement
- Schedule
  Terry Hatcher, Director, Property and Construction

- Proposed Staffing
  Lucky Welsh, Director, State Operated Healthcare Facilities

Report on Medicaid Non-Emergency Transportation (S.L. 2012-142, Sec. 10.7)
Tara Larson, Chief Clinical Operating Officer, Division of Medical Assistance

Status Report: Medicaid Management Information System (MMIS)
- Transition Plan
- Cost Report: HP Operations Contract; CSC Systems Development Contract
  Paul Guthery, Senior Program Manager/Associate Program Director, MMIS Services
- MMIS Employee Compensatory Time Payments
  Al Delia, Acting Secretary, DHHS

<u>November 13, 2012</u>
NC Pre-K Overview
Donnie Charleston, Fiscal Research Division

Governor's Executive Order Number 128
Al Delia, Acting Secretary, DHHS

Medicaid Budget Status Report
Chloe Gossage, Fiscal Research Division

Medicaid Budget Update
Steven Owen, Chief Business Operating Officer, Division of Medical Assistance, DHHS

1915 (b)(c) Waiver Update
- Update LME/MCO Conversion Schedule
- Report on Results of Mercer Readiness Reviews

Kelly Crosbie, Chief, Behavioral Health Section, Division of Medical Assistance, DHHS

Midwife Licensure
Russ Fawcett, Vice President, NC Friends of Midwives
Rebecca Walton, a member of the public
Barbara Hotelling, Coalition for Improving Maternity Services

David Barnes, Legislative Counsel, NC Obstetrical and Gynecological Society
Amy Whited, Director, Health Policy, North Carolina Medical Society

<u>December 11, 2012</u>
Global Healthcare System Issues/Trends
Dr. Doris Rouse, Vice President of the Global Health Division, RTI International

National Healthcare System Issues/Trends
Dr. William Roper, Chief Executive Officer of The University of North Carolina Health Care System, Dean of the UNC School of Medicine, and Vice Chancellor for Medical Affairs

State Healthcare System Issues/Trends
Dr. Pam Silberman, President and Chief Executive Officer, North Carolina Institute of Medicine

Local Public Health Challenges
Beth Lovette, Appalachian District Health Department Health Director

Local Departments of Social Service Challenges
Mandy Stone, Buncombe County Assistant County Manager/Health and Human Services Director

Medicaid Budget Status Report
Chloe Gossage, Fiscal Research Division

Medicaid Budget Update
Steven Owen, Chief Business Operating Officer, Division of Medical Assistance, DHHS

Status Report: Medicaid Management Information System (MMIS)

- Transition Plan
- Cost Report: HP Operations Contract; CSC Systems Development Contract

Paul Guthery, Senior Program Manager, Associate Program Director, MMIS Services

1915 (b)(c) Waiver Update

- Update LME/MCO Conversion Schedule
- Readiness Report
- Estimated Monthly Cost per LME of Delayed Implementation

Kelly Crosbie, Chief, Behavioral Health Section, Division of Medical Assistance, DHHS

January 8, 2013
Introduction of the New Department of Health and Human Services Secretary
Dr. Aldona Wos, Secretary, Department of Health and Human Services

Mental Health Subcommittee Report and Recommendations
Jan Paul, Research Division

Joint Legislative Committee Oversight Committee Report

Summary of the Committee Proceedings

<u>August 14, 2012</u>

The Committee convened on August 14, 2012, at 10:00 a.m. in Room 643 of the Legislative Office Building. Representative Justin Burr, Co-Chairman, called the meeting to order and welcomed the committee members and the public. Co-Chairman Dollar requested that the committee observe a moment of silence in memory of Mr. Steve Jordan, former Director, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (MH/DD/SAS), Department of Health and Human Services (DHHS).

The next agenda item was an overview of the major budget provisions and substantive legislation enacted during the 2012 Session. Ms. Lisa Hollowell, Fiscal Research Division, provided an overview of the major budget provisions related to the Department of Health and Human Services, as contained in S.L. 2012-142 (Appropriations Act), as amended by S.L. 2012-145. Ms. Jan Paul, Research Division, provided an overview of the substantive legislation related to health and human services enacted during the 2012 Session. Committee members had several follow-up questions and comments regarding the DHHS budget. Acting Secretary Delia answered questions and informed the Committee about DHHS efforts to address the reduced Social Services Block Grant funding available for developmental disability programs.

Ms. Denise Thomas, Fiscal Research Division, provided an overview and background information on the Medicaid 1915 (b)(c) waiver. Michael Prinski, Principal, Mercer Government Human Services Consulting, presented the findings from Mercer's July 10, 2012, onsite review of Western Highlands Network (WHN) conversion to a Medicaid behavioral health managed care organization (MCO). The Committee heard next from Mr. Charlie Schoenheit, Interim CEO, WHN, who explained the actions being taken to address the findings and weaknesses identified by the Mercer review. Mr. Mike Watson, Acting Director, Division of Medical Assistance (DMA), responded to Committee questions about DHHS oversight of the WHN conversion process and what actions were being taken to ensure that future conversions did not encounter the same problems.

Following the lunch break, Chairman Burr announced that he, and Representatives Avila, Hollo, Jones, and Brisson would serve on the Subcommittee on Mental Health along with Senators Pate (Co-Chair), Bingham, Tucker, Hartsell, and Doug Berger.

The next item on the agenda was an update on issues related to Institutions of Mental Disease (IMD), the U.S. Department of Justice settlement agreement, and Medicaid-funded personal care services (PCS). Ms. Jan Paul, Research Division, provided an overview of the issues. Ms. Emory Milliken, General Counsel, Department of Health and Human Services (DHHS), informed the Committee on the status of DHHS' negotiations to reach a settlement agreement with the U.S. Department of Justice. Ms. Tara Larson provided information on DHHS' plan to assess all individuals receiving PCS to determine if they will meet the PCS eligibility changes that will become effective January 1, 2013. She also informed the Committee about the process

to determine which adult care homes would be classified as an IMD and no longer eligible to receive Medicaid payments.

Mr. Mike Watson addressed the Committee on DHHS plans to issue a Request for Proposal (RFP) for an evaluation of the Medicaid Program. Ms. Beth Wood, State Auditor, presented her plans for the Medicaid audit mandated by S.L. 2012-142. As part of her presentation, Ms. Wood compared the Department's RFP audit components to the audit her staff will conduct as required by law. Committee members had many questions and comments regarding the justification for the Department's RFP given the directive in S.L. 2012-142 to the State Auditor.

The final agenda item was an update on the consolidation of leased space for administrative offices for DHHS. Mr. Mark Bondo, Fiscal Research Division, provided an overview of the State government leasing process and specific issues related to the proposed DHHS consolidation. Ms. Anne Bander, Chief Operating Officer of the Department of Administration, and Mr. Terry Hatcher, Director of DHHS Division of Property and Construction, presented an update on the status of the planned lease consolidation. Committee members had many questions and comments on the rationale for and timing of the consolidation.

September 11, 2012

The Committee convened on September 11, 2012, at 10:00 a.m. in Room 643 of the Legislative Office Building. Ms. Beth Wood, CPA, State Auditor, presented the audit of the Division of Medical Assistance (DMA), Department of Health and Human Services (DHHS), and four contracts with vendors to identify improper payments in the Medicaid program. Information was provided on contracts with the following: IBM, SAS, PCG, HMS.

Al Delia, Acting Secretary, DHHS, responded that the Department largely concurs with the recommendations and that the Department is continuing to monitor the contracts. Mr. Mike Watson, Director, DMA, also concurred with the State Auditor's findings.

Mr. Mike Watson reviewed the Budget Implementation Report. This report included information on the number of Aged, Blind, and Disabled Medicaid recipients enrolled by Community Care of North Carolina. Mr. Watson reviewed the list of Medicaid State Plan Amendments that had been submitted, are pending, or are delayed. He also provided an update on the 1915(i) application status as well as the status of the Non-Emergency Medicaid Transportation Request for Proposal. Finally, Mr. Steve Owen, Chief Business Operating Officer, DMA, concluded with a Medicaid Budget Update.

Dr. Beth Melcher, Deputy Secretary for Health Services, and Ms. Emery Milliken, DHHS General Counsel, presented the settlement agreement entered into by the State of North Carolina and the United States Department of Justice (US DOJ) to address the USDOJ's investigation of North Carolina's mental health system. The settlement contains an agreement to provide housing slots for individuals with mental illness who are currently residing in settings that may not be appropriate for their needs.

Ms. Kelly Crosbie, Chief, Behavioral Health Section, DMA, updated the Committee on the status of Local Management Entity/Managed Care Organization (LME/MCO) conversions. She also gave an update on the Western Highlands local management entity. Finally, she addressed standardization goals as the conversion process progresses.

Mr. Paul Guthery, Senior Program Manager, Medicaid Management Information Systems (MMIS), gave an update on the progress of bringing the MMIS project online. Mr. Guthery stressed that the goal is to not miss the implementation date.

October 16, 2012

Due to scheduling conflicts, the agenda order was changed and Anne Bander, Chief Operating Officer, Department of Administration (DOA), was first on the agenda. Ms. Bander gave an update on the consolidation of leased space for the Department of Health and Human Services' administrative offices. She listed the multiple agencies and personnel who are engaged in the process. Ms. Bander indicated that several proposals to provide leased space have been submitted and that proposal submissions are being reviewed to ensure that all State and federal program needs can be met. She said that statewide savings will come from freeing up space in several State buildings and by consolidating personnel from 60 buildings into fewer buildings with much less space. Ms. Bander stated that all parties involved believe that efficiency will be increased through space consolidation.

Steve Owen, Chef Business Operating Officer, Division of Medical Assistance (DMA), provided the monthly Medicaid budget update. He indicated that DMA is now completing weekly budget updates. Through last week, DMA funds reflected a $3.7M surplus, but to date, the budget is reflecting a $9,300,000 Overall YTD State cash shortfall. Mr. Owen indicated that the Division is monitoring claims expenditures to determine whether the last two weeks' claims are a forecasting distribution anomaly or a trend. He also indicated that there had been a higher than usual enrollment of "more expensive disabled population" and less enrollment than expected of children. He continued by providing additional enrollment and expenditure data to date. Mr. Owen also explained the components of determining the status of 2013 CCNC savings. He concluded his presentation with the amounts of money saved through LME/MCO implementation.

Kelly Crosbie, Chief, Behavioral Health Section, DMA, provided an update on the 1915 (b)(c) waiver implementation. She reported that 56 counties to date are under the waiver. The Mercer readiness review indicated that Alliance, Centerpoint, Eastpointe, and Partners are on track for the January 1, 2013 transition, but Mercer suggested that MeckLink and Coastal Care may need more time. Final readiness reviews will be completed in December, 2012. Ms. Crosbie indicated that Supports Intensity Scale (SIS) assessments have begun and that a sample of 5200 assessments should be completed by April, 2013. Ms. Crosbie also provided details on how DMA is helping to standardize the "PBH Model" around the State by using common forms and procedures.

Terry Hatcher, Director, Property and Construction and Luckey Welsh, Director, State Operated Healthcare Facilities, provided a status report on the Cherry Hospital replacement facility and staffing for the new facility. The new hospital will have 314 inpatient beds and is scheduled to open in April, 2013. Mr. Welsh detailed the new services that will be available at the hospital and staff needs to provide these services.

Tara Larson, Chief Clinical Operating Officer, DMA, indicated that DMA and the Department of Transportation (DOT) are required to report to the Health and Human Services and Transportation Oversight Committees prior to issuing a Request for Proposals (RFP) for management of non-emergency Medicaid transportation (NEMT), as provided in S.L. 2012-142, Sec. 10.7. Ms. Larson's report included information on nonemergency transportation brokerage services implemented in other states; an assessment of the current coordination of human services transportation within North Carolina and the potential impact of brokerage services on transit system funding and operations; and a cost-benefit analysis of implementing a statewide NEMT brokerage model for Medicaid recipients.

Mr. Paul Guthery, Senior Program Manager, Office of MMIS Services and Al Delia, Acting Secretary, provided a status report on the Medicaid Management Information System (MMIS). They indicated that MMIS is scheduled to "go live" on July 1, 2013, and that the total cost for development and operation will be $484.8 million. He provided details about the services included in the contract, plans for transitioning to the new system, and activities to accomplish through next July.

Anthony Vellucci, Program Director, NC Families Accessing Services through Technology (NCFAST), reported on the status of this program. He stated that nine DHHS program areas would be affected by NCFAST implementation including child care, food and nutrition services, Medicaid, Work First, energy assistance, low income, energy assistance, special assistance, refugee assistance, child welfare, and adult and family services. He covered timelines and expenditure rates for implementation on each of these program areas being included in NCFAST.

Dr. Beth Melcher, Deputy Secretary, presented the plan for implementing the Settlement Agreement with the US Department of Justice. She indicated that the guiding principles for the plan support individual choice and full community integration. Dr. Melcher described each of the agreement components: in-reach, diversion, transition planning, housing slots with rental assistance and transition supports, ACTT fidelity, supported employment, quality assurance and performance improvement, independent reviewer. Dr. Melcher stated that the General Assembly appropriated $10.3 million in 2012 for implementation of the Settlement Agreement.

November 13, 2012

Mr. Donnie Charleston, Committee staff, Fiscal Research Division, presented an overview of the voluntary Pre-Kindergarten program for at-risk four-year-olds known as "NC Pre-K." Mr. Charleston reviewed the program's purpose and eligibility requirements; its 2001 inception as the More at Four Pilot Program; its transfer from the Department of Public Instruction into the

Division of Child Development and Early Education (DCDEE) as part of the 2011-2012 Appropriations Act; and historic and current program funding and enrollment levels, noting the recent 20% decrease in funding attributed in part to the discontinuation of Child Care Subsidy fund payments for the More at Four portion of the NC Pre-K day. He reviewed the directive to DCDEE in the current State budget to create a pilot program that provides funding for NC Pre-K classrooms on a per classroom basis. Mr. Charleston concluded by reporting that Executive Order No. 128 will require DHHS to identify $20 Million within its budget to fund the additional enrollment of 6,300 children beginning October 19, 2012.

Mr. Al Delia, Acting Secretary, DHHS, provided a detailed report on how the Department plans to implement the required expansion of NC Pre-K pursuant to Executive Order No. 128. The Executive Order is the result of an August 21, 2012 decision by the North Carolina Court of Appeals, affirming an order of the North Carolina Superior Court mandating “the unrestricted acceptance of all ‘at-risk’ four-year-old prospective enrollees who seek to enroll in existing pre-kindergarten programs in his or her respective county." First, Mr. Delia reviewed the State's current expansion capacity and the funding requests that have been submitted to the Department from the 94 counties participating in the expansion: A total of $29.2 million dollars of funding has been requested to serve an additional 7,978 children. Per Mr. Delia, 62.2% of the requested amount has been allocated to the counties on a pro rata basis to serve an additional 4,965 children.

Next, Mr. Delia reported on the number of additional children projected to be served as part of the expansion, broken down by setting and for each month from October 2012 through January 2013. Potentially, up to 550 additional teachers and teacher assistants could be hired in order to accommodate this required expansion.

Mr. Delia then explained that the 6,300 slot capacity level identified in Executive Order No. 128 reflects the expansion capacity determined as a result of the Department's five-year Compliance Plan developed in January 2012, to meet the requirements of the court order directing the State to serve all at-risk four-year-olds eligible for the NC Pre-K program. DHHS anticipates that local contributions from Smart Start, Head Start and Public School (Exceptional Children, Title I) dollars will help fund the additional slots that will be needed to implement the Executive Order.

Mr. Delia concluded by identifying projected unexpended funds within the DHHS budget that are being, or will be used, to fund the additional costs for the required additional Pre-K slots.

Ms. Chloe Gossage, Committee staff, Fiscal Research Division, provided an update on the Medicaid Budget as of November 4, 2012, highlighting differences between actual and projected Medicaid expenditures, Medicaid receipts, and Medicaid appropriations. She reported that Medicaid expenditures are running about $60.1M under the Department's FY 2012 budget forecast (a difference of about 1.4%); actual Medicaid receipts are approximately $144M below

forecast (a difference of about 4.7%). The combination has resulted in year-to-date appropriations for Medicaid running approximately $83M over the forecasted amount (a 6.9% increase). Ms. Gossage noted that the Department attributes approximately $33.5 million of the increase to operational shortfall, rather than timing of transactions. Ms. Gossage recommended consideration of the following questions in addressing the Medicaid Budget for the upcoming fiscal year:

- How has the FY 2012-2013 forecast been adjusted to account for experience in FY 2011-2012?
- Drug rebates due to the federal government in June 2012 were paid in July 2012. Does the FY 2012-2013 forecast anticipate a similar action?
- What is the impact of implementation delays and court actions on the FY 2012-2013 forecast?

Steve Owen, Chief Business Operating Officer, Division of Medical Assistance (DMA), DHHS, provided the Department's Medicaid Budget Update. First, he updated the Committee on the cash position of Medicaid through November 2, 2012, reporting a $33.5M operational shortfall in total State Medicaid funds. The shortfall is attributed largely to claims and service expenditures which DMA anticipates will reduce significantly throughout the year, but is also attributed to administration and contracts; Program Integrity net recoveries; and settlements, GAP Plan and other payments or receipts.

Second, Mr. Owen reviewed Medicaid enrollment, utilization and expenditure trends. Although total enrollment is slightly less than projected, the cost savings associated with lower enrollment have been offset by a higher proportion of more expensive recipients enrolling in the program. Overall, Mr. Owen reported that the per member per month cost and the cost of all service categories, other than behavioral health, have decreased in FY 2012 compared to FY 2011-12.

Third, he reported on the status of savings achieved by Community Care of North Carolina (CCNC), noting that savings achieved to date are $4.9M less than expected for the first four months of the current fiscal year ending October 31, 2012. This is a $2.6M improvement from last month. DMA and CCNC are collaborating to enhance savings from care management, with special attention on hospital emergency services and prescription drugs.

Finally, Mr. Owen reviewed the 2013 Medicaid forecast. DMA anticipates ending the year approximately $11.5M under appropriations for the current fiscal year, or a .36% variance.

Kellie Crosbie, Behavioral Health Section Chief, DMA, DHHS, provided a two-part update on the status of statewide expansion of the Medicaid 1915(b)/(c) Waiver. First, she focused on the status of the LME-MCO Transitions. Ms. Crosbie reported that a total of 56 counties are now operating under the Waiver through Cardinal Innovations, Western Highlands Network, ECBH, Smoky Mountain Center and, effective December 1, 2012, Sandhills Center. She identified the

four LMEs scheduled to begin managed care operations on January 1, 2013, and the two LMEs scheduled to "go live" on February 1, 2013, as a result of the Readiness Reviews conducted by Mercer in November and December. Ms. Crosbie reported that DHHS has issued a final start date of February 1, 2013. If an LME is not approved to begin managed care operations by the deadline, its MCO functions will be transferred to an approved LME-MCO. DHHS and Mercer have studied and identified several contingency plans for any catchment area that is not prepared to begin managed care operations by that date.

Second, Ms. Crosbie focused on the implementation status of the 1915(c) Innovations Plus Waiver. She reported that 400 recipients have completed a Supports Intensity Scale (SIS) assessment since September 2012. Individual SIS results are currently being used for individual service planning. Once all assessments have been completed, SIS results from a representative sample will be used to develop a resource allocation model for all recipients that will be based on their level of need. DHHS anticipates planning and implementation of this new model between May and July 2013. The Human Services Research Institute has prepared training materials and frequently asked questions on SIS and resource allocation and will begin visiting MCO sites and stakeholder groups to provide information and gain local input for the new resource allocation model.

Lastly, the Committee heard opposing points of view on the issue of licensing midwives.

- Russ Fawcett, Vice President, NC Friends of Midwives; Rebecca Walton, a member of the public; and Barbara Hotelling, Coalition for Improving Maternity Services, all advocated in favor of licensing certified professional midwives in order to improve quality and safety for the increasing number of families in North Carolina that are electing home births.
- David Barnes, Legislative Counsel, NC Obstetrical and Gynecological Society; and Amy Whited, Director, Health Policy, North Carolina Medical Society, both advocated against licensing certified professional midwives due to inadequacies in training and educational requirements to ensure safe deliveries, especially with respect to high risk pregnancies, and the potential for the public to incorrectly assume that licensed certified professional midwives have the same training as licensed nurses.

December 11, 2012

The Committee meeting began with a panel of three presenters on issues and trends of healthcare at the global, national, and State levels. The first presenter, Dr. Doris Rouse, Vice President of the Global Health Division, RTI International, reported to the Committee on the relevance of global health to North Carolina and North Carolina initiatives in global health. In 2010, Duke University produced a study which assessed the number of jobs created and economic benefits to the State from products and services designed to improve health in low and low-to-middle income countries. Using data from 2007, the report looked at jobs, wages, and the financial impact across 3 different sectors: non-profits, business, and academia. The impact of global

health on the State's economy across the three sectors was 7, 000 jobs, $508 million in wages, and $1.2 to $2 billion in total financial impact. The study also found that health conditions improved for underserved populations worldwide and medical innovations advanced healthcare for all, including residents of North Carolina. Dr. Rouse also explained how efforts in the State have been targeted to improve conditions in underserved populations worldwide including such efforts as developing drugs for infectious diseases, developing vaccines, improving maternal and child health, and improving water and sanitation conditions.

Dr. William Roper, Chief Executive Officer of The University of North Carolina Health Care System, shared the following 5 myths about the U.S. healthcare system:

- U.S. health care system is the best in the world.
- People have access to and get all the healthcare services that they need in the U.S.
- Quality of healthcare in the U.S. is good.
- High cost of healthcare in the U.S. is not a problem.
- If you are happy with your healthcare, it will not need to change in the future.

Dr. Roper said that the U.S. healthcare system will need to consolidate, modernize, and begin rewarding healthcare providers on the basis of outcomes and not the volume of healthcare provided.

Dr. Pam Silberman, President, North Carolina Institute of Medicine, gave a snapshot of the health of North Carolina's citizens in 2011. According to America's Health Rankings (2011), North Carolina ranked 31st in the nation in determinants of health (i.e., smoking, binge drinking, obesity, poverty, and preventable hospitalizations). The study also found that North Carolina ranked 38th in health outcomes (i.e., diabetes, poor physical and mental health, cancer and cardiovascular deaths, infant mortality rate, and premature deaths). Dr. Silberman explained that the U.S. spends more on health care than any other industrialized nation and that in the U.S. health care costs are rising about three times the rate of general inflation. She also mentioned that obesity and tobacco use by adults are two areas that need to be addressed in order to improve the health of North Carolina's citizens.

Ms. Beth Lovette, Appalachian District Health Department Health Director, presented on the role of local health departments and the challenges they face trying to protect community health. Local health departments work to keep food and physical environments safe, help to prevent the occurrence and spread of disease, and respond to disasters and other emergencies. Local health departments also directly provide health services to high risk populations which can save the State money. For example, over half of the local health departments provide primary care and dental care to their clients. Some of the challenges facing local health departments are getting Medicaid reimbursements for providing services, changes created by changes in federal law, and the need for improvements in information technology infrastructure.

Ms. Mandy Stone, Assistant County Manager/Health and Human Services Director, Buncombe County Health and Human Services, presented on the role of local departments of social services. She explained that one success story is that North Carolina has the lowest percentage

(about 3%) of children in the nation who re-enter the foster care system after exiting the system. It costs $7,728 per child for in-home intervention with the family versus $86,100 per child in foster care. Local departments of social services are challenged to find increased efficiencies and effectiveness. Some methods to meet those goals include simplifying policies, creating connected and integrated case management systems, enabling real time sharing across counties and investing in technology.

Ms. Chloe Gossage, Committee Staff, Fiscal Research Division, provided an update on the Medicaid budget as of November 30, 2012, highlighting differences between actual and projected Medicaid expenditures, Medicaid receipts, and Medicaid appropriations. She reported that Medicaid expenditures are running about $28 million under the DHHS 2012-13 budget forecast (a difference of only about -0.6%); actual Medicaid receipts are about $93 million below forecast (a difference of -2.6%); and actual Medicaid appropriations are running about $62 million over the forecast (an increase of 4%). Ms. Gossage noted that the Department attributes approximately $52 million of the increase operational shortfall.

Mr. Steve Owen, Chief Business Operating Officer, Division of Medical Assistance, DHHS, provided the DHHS Medicaid budget update. First, he updated the Committee on the cash position of Medicaid through December 7, 2012, reporting a $52 million shortfall in total State Medicaid funds. The shortfall is attributed largely to claims and service expenditures. DMA anticipates the claims variation will reduce significantly throughout the year and end the year in a surplus.

Second, Mr. Owen reviewed Medicaid enrollment, utilization, and expenditure needs. Although total enrollment is slightly less than projected, the cost savings associated with lower enrollment have been offset by a higher proportion of more expensive recipients enrolling in the program. Aged, Blind and Disabled (ABD) are 25% of the total Medicaid enrollment but account for 60% of the Medicaid expenses.

Third, he reported on the status of savings achieved by Community Care of North Carolina (CCNC). The savings are $2.8 million less than expected for the first five months ending November 30, 2012. This is a $2.1 million improvement from last month. DMA and CCNC are collaborating to enhance savings from ABD care management, with special attention on hospital emergency services and drugs.

Finally, Mr. Owen reviewed the Medicaid claims forecast for FY 2013. Annual claims are forecasted to be $5 million under appropriations for FY 2013, a .17% variance. The annual forecast based on November data projects total State General Fund Medicaid appropriation for all funds at about $12 million over the budgeted appropriations.

Mrs. Paul Guthery, Senior Program Manager, Associate Program Director, Office of MMIS Services, DHHS, provided an update on the current status of the replacement Medicaid Management Information System (MMIS). He reported that the replacement MMIS is still on schedule for a July 1, 2013 operational start. The actual costs for the replacement MMIS project from January 1, 2009 through October 31, 2012 is just over $160.8 million.

Ms. Kelly Crosbie, Chief, Behavioral Health Section, Division of Medical Assistance, DHHS, gave an update on the status of LME/MCO transitions and that 65 counties are now operating under the Medicaid 1915(b)(c) waiver through Cardinal Innovations, Western Highlands Network, ECBH, Smoky Mountain Center, and Sandhills Center. Ms. Crosbie reported that DHHS has issued a final start date of February 1, 2013. If an LME is not approved to begin managed care operations by the deadline then its MCS functions will be transferred to an approved LME/MCO. DHHS and Mercer have studied and identified several contingency plans for any catchment area that is not prepared to begin managed care operations by February 1, 2013. DHHS is waiting for draft reports on MeckLINK and CoastalCare.

She also updated the Committee on the implementation status of the 1915(c) Innovations Plus waiver. She reported that over 850 recipients have completed a Supports Intensity Scale (SIS) assessment thus far. Individual SIS results are currently being used for individual service planning. Once all the assessments have been completed, the SIS results from a representative sample will be used to develop a resource allocation model for all recipients based on their level of need. The new resource allocation model is scheduled for implementation in Fall 2013.

January 8, 2013

During the January 8, 2013, Committee meeting, the new Secretary for the Department of Health and Human Services, Dr. Aldonia Wos, was introduced made a few comments.

Next, Ms. Jan Paul, Research Division, presented the report from the mental health subcommittee. The subcommittee's report includes recommendations for consideration by the full Committee. The contents of the report are included in the Joint Legislative Oversight Committee's draft report.

The Committee received a draft report for consideration.

FINDINGS AND RECOMMENDATIONS

FINDINGS

The Joint Legislative Oversight Committee on Health and Human Services appointed a subcommittee, pursuant to S.L. 2012-142, Sec. 10.11, as amended by S.L. 2012-145, Sec. 3.4, to examine the State's delivery of mental health services. The Subcommittee met four times during the 2012 interim and approved a report containing recommendations. On January 8, 2013, the Subcommittee report was presented to the Joint Legislative Oversight Committee. Contents of the Subcommittee's report, including proceedings, and findings and recommendations, are included in the Appendix of this report.

The Joint Legislative Oversight Committee on Health and Human Services adopts the recommendations made by the subcommittee.

RECOMMENDATIONS

RECOMMENDATION 1: Explore Costs and Feasibility of New Psychiatric Facility

The Joint Legislative Oversight Committee on Health and Human Services encourages the General Assembly to direct the Department of Health and Human Services to (i) determine the cost of increasing the number of beds in State psychiatric hospitals, (ii) explore the possibility of creating a south central mental health region to include at least Anson, Cabarrus, Davidson, Mecklenburg, Montgomery, Moore, Randolph, Richmond, Rowan, Scotland, Stanly, and Union counties, and (iii) investigate the possibility of placing a new psychiatric facility in this region of the State. The Department shall provide a written report to the Joint Legislative Oversight Committee on Health and Human Services no later than April 1, 2013.

RECOMMENDATION 2: Address Delayed Payments & Tiered Rate Structure

The Joint Legislative Oversight Committee on Health and Human Services encourages the General Assembly to direct the Department of Health and Human Services to work with community hospitals to develop a plan to (i) address delayed payments and (ii) revise three-way contract payment from a single rate model to a tiered rate structure based upon the patient's acuity level. The Department shall submit the plan to the Joint Legislative Oversight Committee on Health and Human Services and the Chairs of the House and Senate HHS Appropriations Subcommittees no later than October 1, 2013.

RECOMMENDATION 3(a): Statewide Telepsychiatry Program

The Joint Legislative Oversight Committee on Health and Human Services encourages the General Assembly to direct the Department of Health and Human Services to develop a plan for a statewide telepsychiatry program. The Department's plan should include program costs and rates of payment for telepsychiatry services, and address liability issues related to participation in telepsychiatry. The Department shall submit its plan to the Joint Legislative Oversight Committee on Health and Human Services no later than October 1, 2013.

RECOMMENDATION 3(b): Remove Barriers and Increase Mental Health Professionals

The Joint Legislative Oversight Committee on Health and Human Services encourages the General Assembly to direct the Department of Health and Human Services to investigate incentives and the removal of unnecessary practice barriers in order to increase the overall supply of psychiatrists, psychologists, and other mental health professionals, especially in rural and underserved areas of the State. The Department shall submit a written report to the Joint Legislative Oversight Committee on Health and Human Services no later than October 1, 2013.

RECOMMENDATION 4: Support for Veterans

The Joint Legislative Oversight Committee on Health and Human Services encourages the General Assembly to require that the Department of Health and Human Services continue to work with the Department of Veterans Affairs and other military groups to (i) increase training for mental health professionals in evidence-based practices designed specifically for individuals who are active or retired military, (ii) increase the numbers of veterans taking advantage of Medicaid and other federally funded assistance programs through targeted outreach through local DSS agencies and identifying veterans in the NCFAST program, and (iii) decrease homelessness among veterans. The Department shall submit a written report to the Joint Legislative Oversight Committee on Health and Human Services no later than April 1, 2013.

APPENDIX: REPORT FROM THE SUBCOMMITTEE ON MENTAL HEALTH

SUBCOMMITTEE MEMBERSHIP

THE JOINT LEGISLATIVE OVERSIGHT COMMITTEE
ON
HEALTH AND HUMAN SERVICES
SUBCOMMITTEE ON MENTAL HEALTH

MEMBERSHIP LIST
2011- 2012

Senator Louis Pate – Co-Chair

Senator Doug Berger

Senator Stan Bingham

Senator Fletcher Hartsell, Jr.

Senator Tommy Tucker

Representative Justin Burr – Co-Chair

Representative Marilyn Avila

Representative William Brisson

Representative Hugh Blackwell

Representative Bert Jones

STAFF

Jan Paul, Research

Patsy Pierce, Research

Joyce Jones, Bill Drafting

Joey Stansbury, Committee Clerk

Denise Thomas, Fiscal Research

Barbara Riley, Research

Susan Barham, Research

SUBCOMMITTEE PROCEEDINGS

The Subcommittee on Mental Health Services of the Joint Legislative Oversight Committee on Health and Human Services held four meetings between September 10, 2012, and December 18, 2012.

Overview of Topics and Presenters

September 10, 2012
Review of Law Establishing Subcommittee Charge
Denise Thomas, Fiscal Research

Overview of Major Mental Health Reform
History and Major Legislative and Policy Changes 2001 – Present
Jan Paul, Research

Impact on State Facilities and Community Psychiatric Hospitals
Ms. Laura White, Team Leader Psychiatric Hospitals
Division of State-Operated Healthcare Facilities

LME Perspective on Impact of Major Reform/Policy Changes
Pam Shipman, CEO PBH

Impact of Mental Health Policy on Law Enforcement
Sheriff Tony Perry, Camden County, President, NC Sheriffs' Association

October 8, 2012
Community Hospital Panel

Sandhills/Randolph Co. Psychiatry Contracts
Anthony Carraway, M.D., Sandhills LME/MCO
Kenny Burrow, CEO, Therapeutic Alternatives
Tremonteo Crawford, RN, MSN, Chief Nursing Officer, Randolph Hospital, Inc.

Durham Center Access (Facility-based Crisis)
Trish Hussey, Executive Director, Freedom House Recovery Center
Anita A. Daniels, MSW, LCSW, CSI, LCAS, Director, Durham Center Access
Logan Graddy, M.D., Medical Director, Freedom House Recovery Center

Presbyterian Hospital Peer Support Specialist Program
D. Dontae Latson, MSSA, LCSW, Director
Cherene Allen-Caraco, Mecklenburg Promise

Three-Way Contract Hospitals Overview
Denise Thomas, Fiscal Research

Hospitals with Three-way Contracts
Stephanie Greer, MBA, Director, Inpatient and Outpatient Behavioral Health Programs
Charles A. Cannon Jr. Memorial Hospital, Linville, NC

Victor Armstrong, Behavioral Medicine Program Manager
Alamance Regional Medical Center, Burlington, NC

State-Community Hospital-LME/MCO Solution-Based Planning
Dr. Beth Melcher, Chief Deputy Secretary, DHHS
Hugh Tilson, NC Hospital Association
Pam Shipman, Cardinal Innovations LME/MCO

December 10, 2012
Reviewing the Map: History and Process of Determining Facilities' Catchment Areas and How Current Catchment Areas Affect Local Communities
Laura White, Team Leader Psychiatric Hospitals, Division of State-Operated Healthcare Facilities

Overview of the Involuntary Commitment Process
Mark Botts, J.D., UNC School of Government

Telepsychiatry
Shelia Davies, MPA, Project Director, Albemarle Hospital Foundation
Edward Spencer, M.Ed., MSW, Program Manager, DMH Telepsychiatry Program, South Carolina Department of Mental Health

Three-Way Contract Payments
Dr. Beth Melcher**,** Chief Deputy Secretary, DHHS

Services for Members of the Military and Veterans with PTSD
Kimberly Alexander-Bratcher, Project Director, NCIOM
Harold Kudler, M.D., Mental Health Coordinator, Veterans Integrated Service Network, Durham VA Medical Center
Stephanie Nissen, LPC, LMHC, North Carolina National Guard

Subcommittee Discussion and Review of Draft Subcommittee Report

December 18, 2012
Subcommittee Review of Draft Subcommittee Report

Summary of Subcommittee Proceedings

This section of the report provides a brief summary of the Subcommittee meetings. It is not intended to be a complete, official record of those meetings. However, there is an official record of the Subcommittee's meetings, including minutes and handouts distributed to the Subcommittee members, in the Legislative Library.

September 10, 2012

Co-Chairmen Senator Pate and Representative Burr welcomed members to the Subcommittee meeting and Denise Thomas, Fiscal Research reviewed the 2012 budgetary provisions establishing the charge of the Subcommittee. Jan Paul, Staff Attorney, Research, reviewed the history of State and county mental health services, focusing on major reform efforts since 2001. Ms. Paul discussed the State's responses to the Olmstead decision and other federal initiatives and mandates over the past decade.

Laura White, Hospital Team Leader for the Division of State-Operated Healthcare Facilities, DHHS, explained the impact of reform on the State facilities and community psychiatric hospitals. Ms. White included the following information during her presentation:

- After the Olmstead decision, DHHS and the Division of MH/DD/SAS developed a plan to expand community capacity and then reduce the size of the state psychiatric hospitals.
- Five hundred beds were closed rather than the seven hundred originally established. Among the beds closed were the adult long term, geriatric long term, and skilled nursing beds.
- $28 million was provided to the Local Management Entities (LMEs) on a one-time and recurring basis in order to support the services established for those being discharged from hospitals into the community as well as those who otherwise would have needed those hospital beds.

Pam Shipman, CEO of Piedmont Behavioral Health, provided a perspective on how major reform and policy changes have affected the LMEs, including the positive aspects of the managed care system which is being expanded via the 1915(b)/(c) waiver throughout the State.

Tony Perry, Sheriff of Camden County and President of the North Carolina Sheriffs' Association, addressed the impact of mental health reform on the law enforcement community. He said that the responsibility of transporting individuals with behavioral health needs to and from facilities is a State mandated law and that an officer could spend as much as 20 to 24 hours in transporting and wait time.

October 8, 2012

Anthony Carraway, Sandhills LME/MCO, Kenny Burrow, Therapeutic Alternatives, and Tremonteo Crawford Randolph Hospital, Inc., described the collaborative process among their agencies to provide psychiatric assessments and consultation to persons coming to the emergency department (ED) at Randolph Hospital. The presenters stated wait time in the ED has been reduced with the implementation of this service.

Trish Hussey, Executive Director, Freedom House Recovery Center, Anita A. Daniels, Director, Durham Center Access, and Logan Graddy, Medical Director, Freedom House Recovery Center,

described the services provided by the Durham Access Center. The Durham Access Center is a crisis center providing these services to approximately 200 individuals per month with an average stay of 20 hours. Services include:

- 24-hour crisis facility.
- 16 facility-based crisis beds – short-term stabilization for adults – alternative to inpatient hospitalization.
- 11 23-hour crisis evaluation observation rooms (one for juveniles) – short-term intensive intervention to stabilize acute or crisis situations.
- Telephone and face-to-face screening, triage and referral to community providers.

Dontae Latson, MSSA, LCSW, Director, and Cherene Allen-Caraco, Mecklenburg's Promise, explained what "peer support" means and provided examples of different peer support models. They also discussed outcomes research related to providing peer supports to persons with mental health needs.

Denise Thomas, Fiscal Research, explained what a three-way contract between a community hospital, an LME/MCO, and DHHS entails. These contracts support community hospital beds for persons with mental health needs. Three-way contract managers, Stephanie Greer, Director, Inpatient and Outpatient Behavioral Health Programs, Charles A. Cannon Jr. Memorial Hospital, Linville, NC, and Victor Armstrong, Behavioral Medicine Program Manager, Alamance Regional Medical Center, Burlington, NC, described how the contracts are working for their hospitals. The contract managers indicated that the delay in payment from the State was reducing their ability to provide hospital beds to persons with mental illness in their communities.

Dr. Beth Melcher, DHHS, Hugh Tilson, NC Hospital Association, and Pam Shipman, Cardinal Innovations LME/MCO, shared concerns which had been expressed in meetings to address the problems created when persons with mental health needs repeatedly use EDs for all health and mental health needs.

December 10, 2012

Laura White, Hospital Team Leader, Division of State Operated Healthcare Facilities, Department of Health and Human Services, presented on the history of catchment areas/ admissions regions of the state psychiatric facilities. The hospital catchment areas were first established in the N.C. Administrative Code in 1976, with the last major change to the admission regions coming in 2009, which created three rather than four state hospital regions in preparation for consolidation of Dorothea Dix Hospital and John Umstead Hospital into Central Regional Hospital. She outlined the hospital services subject to admission regions as well as those not subject to admission regions. Ms. White provided a map of the three regions and explained the criteria, including population and geographic proximity, used in determining equitable catchment areas, and described the transition planning process.

Mark Botts, J.D., UNC School of Government, provided an overview of the involuntary commitment process (IVC). His presentation focused on the criteria and procedure for IVC, and specifically what happens after a clinician or a layperson petitions for IVC, what occurs after a magistrate issues a custody and transportation order, and the process for transporting, examining, and affording due process to an individual for whom an involuntary commitment is sought.

Shelia Davies, MPA, Director, Albemarle Hospital Foundation, provided an overview and explained the goals of the North Carolina Hospital Telepsychiatry Network. She explained that

the project was created to establish a hospital based two-way, real time, interactive audio and video network to improve the delivery of acute behavioral health care in hospitals and reduce the cost of delivering such care.

Edward Spencer, M.Ed., MSW, Program Manager,Telepsychiatry Program, South Carolina Department of Mental Health, described South Carolina's behavioral health partnership program to provide timely psychiatric assessment and rapid initiation of treatment, increased quality of care, reduced lengths of stay, comprehensive discharge planning, and savings to the hospital and community.

Dr. Beth Melcher**,** Chief Deputy Secretary, DHHS, addressed concerns previously expressed by Subcommittee members regarding late payments by DHHS to LMEs on three-way contracts designed to increase bed capacity within the community by paying hospitals for short-term care of mental health patients in crisis. She discussed adequacy of the payment rate, billing issues, the proposed payment process, and claims and contract spending.

Kimberly Alexander-Bratcher, Project Director, North Carolina Institute of Medicine, discussed the findings and recommendations of the NCIOM Task Force on Behavioral Health Services for the Military and Their Families. The General Assembly had asked the NCIOM to study the adequacy of mental health, developmental disabilities, and substance abuse services funded with Medicaid and state funds available to active and reserve component members of the military, veterans, and their families and to determine any gaps in services.

Harold Kudler, M.D., Mental Health Coordinator, Veterans Integrated Service Network, Durham VA Medical Center, described selected N.C. military/veteran demographics, various pervasive mental health problems reported among veterans, ongoing N.C. and national initiatives, treatment and provider training, and key steps in building military-friendly practices and health systems.

Stephanie Nissen, LPC, LMHC, North Carolina National Guard, outlined the Integrated Behavioral Health System. Ms. Nissen discussed the most common clinical and non-clinical referrals of service members, and current gaps in services for members of the military seeking treatment and assistance related to Post Traumatic Stress Disorder and other mental health conditions

Following the presentations, there was subcommittee discussion and a review of the subcommittee's draft findings and recommendations. The subcommittee members were informed that the final report would be discussed and voted upon at the next meeting on December 18, 2012.

December 18, 2012

The Joint Legislative Oversight Committee on Health and Human Services, Subcommittee on Mental Health met on Tuesday, December 18, 2012, to discuss its final report. Following discussion and the adoption of several amendments, the report was approved.

SUBCOMMITTEE FINDINGS AND RECOMMENDATIONS

FINDING 1: The Joint Legislative Oversight Committee on Health and Human Services, Subcommittee on Mental Health, heard from the Department of Health and Human Services, Division of State Operated Healthcare Facilities (DSOHF), about the total number of licensed and staffed psychiatric hospital beds in both community and operating state hospitals. DSOHF indicated that the total number of beds has decreased since 2001. The Subcommittee also learned that the average length of stay for individuals presenting to community hospital emergency departments (EDs) with a behavioral health crisis was 15 hours, 52 minutes. Over half of these patients (53%) were discharged to home or self-care. The Subcommittee finds that even though North Carolina's total population continues to increase, the psychiatric hospital bed census has decreased and that the operation of State psychiatric facilities is needed as a part of the continuum of mental health care and to help decrease the length of stay in EDs.

RECOMMENDATION 1: The Subcommittee on Mental Health recommends that the Joint Legislative Oversight Committee on Health and Human Services encourage the General Assembly to direct the Department of Health and Human Services to (i) determine the cost of increasing the number of beds in State psychiatric hospitals, (ii) explore the possibility of creating a south central mental health region to include at least Anson, Cabarrus, Davidson, Mecklenburg, Montgomery, Moore, Randolph, Richmond, Rowan, Scotland, Stanly, and Union counties, and (iii) investigate the possibility of placing a new psychiatric facility in this region of the State. The Department shall provide a written report to the Joint Legislative Oversight Committee on Health and Human Services no later than April 1, 2013.

FINDING 2: The Joint Legislative Oversight Committee on Health and Human Services, Subcommittee on Mental Health, heard from several providers about the burdensome and sometimes delayed process by which community hospitals bill and receive payments under the three-way contacts. In addition, the existing rate of $750 per day is insufficient to cover the cost to serve higher-need mental health patients.

RECOMMENDATION 2: The Subcommittee on Mental Health recommends that the Joint Legislative Oversight Committee on Health and Human Services, encourage the General Assembly to direct the Department of Health and Human Services to work with community hospitals to develop a plan to (i) address delayed payments and (ii) revise three-way contract payment from a single rate model to a tiered rate structure based upon the patient's acuity level. The Department shall submit the plan to the Joint Legislative Oversight Committee on Health and Human Services and the Chairs of the House and Senate HHS Appropriations Subcommittees no later than October 1, 2013.

FINDING 3: Based on current data shared during presentations, the Joint Legislative Oversight Committee on Health and Human Services, Subcommittee on Mental Health, understands that there are critical shortages of qualified mental health professionals in many areas across the State. The Subcommittee heard from two presenters that telepsychiatry is an effective option to address these shortages. The Subcommittee finds that the shortage of qualified professionals

adds to hospital ED wait time, involuntary commitments, and local law enforcement involvement in transport of patients who have been involuntarily committed, and that telepsychiatry may be an effective way to address some of these issues, especially in rural and underserved areas.

RECOMMENDATION 3(a): The Subcommittee on Mental Health recommends that the Joint Legislative Oversight Committee on Health and Human Services encourage the General Assembly to direct the Department of Health and Human Services to develop a plan for a statewide telepsychiatry program. The Department's plan should include program costs and rates of payment for telepsychiatry services, and address liability issues related to participation in telepsychiatry. The Department shall submit its plan to the Joint Legislative Oversight Committee on Health and Human Services no later than October 1, 2013.

RECOMMENDATION 3(b): The Subcommittee on Mental Health recommends that the Joint Legislative Oversight Committee on Health and Human Services encourage the General Assembly to direct the Department of Health and Human Services to investigate incentives and the removal of unnecessary practice barriers in order to increase the overall supply of psychiatrists, psychologists, and other mental health professionals, especially in rural and underserved areas of the State. The Department shall submit a written report to the Joint Legislative Oversight Committee on Health and Human Services no later than October 1, 2013.

FINDING 4: The Joint Legislative Oversight Committee on Health and Human Services, Subcommittee on Mental Health, heard from several presenters about the increasing number of military veterans in North Carolina, and that many of these veterans exhibit behavioral health problems associated with Traumatic Brain Injury (TBI) and Post-Traumatic Stress Disorder (PTSD). Many of these veterans living in NC are experiencing homelessness, alcohol and other substance abuse problems, and criminal system involvement. The Subcommittee finds that because North Carolina is a military-friendly State and has a large number of veterans living in the State, and that veterans have specific behavioral health care needs, that the State should continue to link veterans to effective and efficient services.

RECOMMENDATION 4: The Subcommittee on Mental Health recommends that the Joint Legislative Oversight Committee on Health and Human Services encourage the General Assembly to require that the Department of Health and Human Services continue to work with the Department of Veterans Affairs and other military groups to (i) increase training for mental health professionals in evidence-based practices designed specifically for individuals who are active or retired military, (ii) increase the numbers of veterans taking advantage of Medicaid and other federally funded assistance programs through targeted outreach through local DSS agencies and identifying veterans in the NCFAST program, and (iii) decrease homelessness among veterans. The Department shall submit a written report to the Joint Legislative Oversight Committee on Health and Human Services no later than April 1, 2013.

SUBCOMMITTEE AUTHORIZING LEGISLATION

S.L. 2012-142, Sec. 10.11, as amended by S.L. 21012-145, Sec. 3.4

EXAMINATION OF THE STATE'S DELIVERY OF MENTAL HEALTH SERVICES

SECTION 10.11.(a) The Joint Legislative Oversight Committee on Health and Human Services shall appoint a subcommittee to examine the State's delivery of mental health services. As part of its examination, the subcommittee shall review all of the following:

(1) The State's progress in reforming the mental health system to deliver mental health services to individuals in the most integrated setting appropriate, without unnecessary institutionalization.

(2) The State's capacity to meet its growing mental health needs with community-based supports.

(3) The process for determining the catchment areas served by the State's psychiatric hospitals, with consideration of both of the following:

a. Factors used in assigning the geographic groupings of local management areas and managed care organizations into catchment areas.

b. Alternatives to the current process for determining the catchment areas served by the State's psychiatric hospitals, including a determination of whether there is a more efficient and equitable manner of assigning hospital catchment areas.

(4) The impact of implementing the 1915(b)/(c) Medicaid waiver and other mental health system reforms on public guardianship services, including at least all of the following:

a. Guardianship roles, responsibilities, and procedures.

b. The effect on existing relationships between guardians and wards.

c. Recommended legislation to support the transition of public guardianship services from the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services within the Department of Health and Human Services to county departments of social services.

SECTION 10.11.(b) The subcommittee shall report its findings and recommendations to the Joint Legislative Oversight Committee on Health and Human Services on or before January 15, 2013, at which time it shall terminate.