



STATE OF NORTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

ROY COOPER  
GOVERNOR

MANDY COHEN, MD, MPH  
SECRETARY

December 8, 2020

**SENT VIA ELECTRONIC MAIL**

The Honorable Joyce Krawiec, Chair  
Joint Legislative Oversight Committee on  
Health and Human Services  
North Carolina General Assembly  
Room 308, Legislative Office Building  
Raleigh, NC 27603

The Honorable Josh Dobson, Chair  
Joint Legislative Oversight Committee on  
Health and Human Services  
North Carolina General Assembly  
Room 307B, 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


Dear Chairmen:

Session Law 2017-57, Section 11F.5.(e) requires the North Carolina Department of Health and Human Services to submit a report that includes a proposal for funding the recurring operating costs of additional psychiatric and facility-based crisis beds from a source or sources other than the Dorothea Dix Hospital Property Funds, including the identification of potential new funding sources. This report is due to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division. 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 Kody Kinsley, Deputy Secretary for Behavioral Health and Intellectual/Developmental Disabilities, at 984-236-5000.

Sincerely,

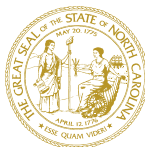
Mandy Cohen, MD, MPH  
Secretary

DocuSigned by:  
  
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Kody H. Kinsley  
Deputy Secretary for Behavioral Health & IDD  
North Carolina Department of Health and Human Services

cc:	Matt Gross	Hattie Gawande	Dave Richard	Susan G. Perry	Kody Kinsley
	Joyce Jones	Rob Kindsvatter	Lisa Wilks	Theresa Matula	Jared Simmons
	Erin Matteson	Marjorie Donaldson	Mark Collins	Jessica Meed	Luke MacDonald
	Jane Chiulli	Katherine Restrepo	Tara Myers	<a href="mailto:reports@ncleg.net">reports@ncleg.net</a>	

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SECRETARY

December 8, 2020

**SENT VIA ELECTRONIC MAIL**

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

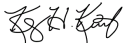
Dear Director Trogdon:

Session Law 2017-57, Section 11F.5.(e) requires the North Carolina Department of Health and Human Services to submit a report that includes a proposal for funding the recurring operating costs of additional psychiatric and facility-based crisis beds from a source or sources other than the Dorothea Dix Hospital Property Funds, including the identification of potential new funding sources. This report is due to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division. Pursuant to the provisions of law, the Department is pleased to submit the attached report.

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**A Proposal for Funding the Recurring Operating Costs of the  
Additional Short-Term, Inpatient Behavioral Health Beds**

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

**Session Law 2017-57, Section 11F.5.(e) as amended by 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**

**December 8, 2020**

## **Reporting Requirements**

Session Law 2016-94, Section 12F.4.(d), and Session Law 2017-57, Section 11F.5.(e), as amended by Session Law 2018-5, Section 11f.2, require that:

*By December 1, 2020, the Department shall submit a report that includes a proposal for funding the recurring operating costs of these additional beds from a source or sources other than the Dorothea Dix Hospital Property Funds, including the identification of potential new funding sources.*

## **Proposal for Funding Recurring Operating Costs of Dorothea Dix Hospital Property Fund Beds**

Approximately 70,000 North Carolinians are uninsured and have serious mental illness. When they require inpatient psychiatric care, the two primary ways their care can be paid for is through Three-Way Contract funds or Single Stream Fund dollars. Three-Way Contract funds have been the primary way this care is paid for, in part due to the budget cuts imposed on the annual allocation for Single Stream Funds after 2015. The annual Three-Way Contract allocation has remained fairly stable over time, at around \$40M per year, and has been consistently fully expended.

Session Law 2016-94 and Session Law 2017-57 directed that the Dorothea Dix Hospital Property Fund (DDHPF) be used to support eight construction contracts, developing a total of 173 inpatient behavioral health beds; 157 are psychiatric inpatient beds in community hospitals and 16 beds are in a Facility-Based Crisis (FBC) program. Ninety-six of the beds are currently operational. Design and construction activities are ongoing for the remaining 77 beds.

The Session Laws above also require that the contracting facilities reserve at least 50% of the new beds for purchase by the North Carolina Department of Health and Human Services via the Three-Way Contracts and by Local Management Entities/Managed Care Organizations for persons who are indigent or are Medicaid recipients.

When all DDHPF beds become operational, 78 psychiatric inpatient and 8 FBC beds must be reserved this way, for a total of 86 reserved beds. A total of 48 currently operational beds are required to be reserved right now.

Notably, that annual Three-Way Contract allocation has not been increased as these DDHPF beds have come online, and the Division has had to stretch the existing annual allocation across more hospitals this year as a result. Fully supporting the additional 86 reserved DDHPF beds would cost almost \$23M each year. Fully supporting the 48 currently operational reserved beds would cost about \$12.5M. This is on top of about \$19 million in yearly projected unfunded psychiatric inpatient care capacity among the Three-Way hospitals that were participating as of

the beginning of this state fiscal year, based on the rate at which they exhaust those funds annually.

In total, fully funding the reserved DDHPF beds and projected unfunded psychiatric inpatient care capacity among the already participating Three-Way hospitals would require upwards of \$42M in additional annual recurring funds.

That amount does not include the cost of covering the uncompensated psychiatric inpatient care and unmet need among the other hospitals in North Carolina that are not DDHPF recipients or Three-Way Contract participants. It also does not include the secondary cost burdens on North Carolina's courts, social services, and law enforcement agencies that are frequently pulled onto the front lines when people go into crisis.

Absent additional recurring appropriations to meet the inpatient psychiatric needs for the 70,000 uninsured North Carolinians with significant mental illness, the Department recommends that the North Carolina General Assembly expand Medicaid. This is the most fiscally responsible choice. Expanding Medicaid would avoid the need to use taxpayer dollars to pay for the additional appropriations described above. It would also connect more North Carolinians with serious mental illness to effective, and less costly, community-based services; services that can help keep them stable in the first place, and therefore out of hospitals, Emergency Departments, and the legal system. That, in turn, maximizes their functioning and independence and gives them a better chance of holding down competitive employment, integrating into their communities, and meaningfully contributing to society.