Health and Human Services Issues:

Alcohol and Drug Abuse Treatment Centers

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for
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Issue Statement

This paper analyzes North Carolina's treatment options for alcohol and substance abusers. Specifically, it evaluates how North Carolina can best provide services for substance abusers in the face of rising costs and the need to treat substance abusers in the State.

Background

In North Carolina, both the State and the private sector provide alcohol and drug abuse treatment. The majority of services for substance abusers in North Carolina can be found in the private sector. The State operates three Alcohol and Drug Treatment Centers (ADATC) with a total of 257 beds. Hospital staff provide alcohol and drug abuse treatment for clients who go through a detoxification program. The State ADATCs do not accept clients who test positive to a blood alcohol/drug test.

In the private sector, there are 29 specialty and acute care hospitals with a total of 1,055 beds. In addition, there are 49 residential facilities with a total of 792 beds. (See Exhibits 1 & 2.) The average occupancy rate in the private hospitals for 1989-90, the latest year available, was 51.5 percent. The residential facilities had an occupancy rate of 71.1 percent for 1990-91. The private alcohol and substance abuse facilities treat clients with an alcohol or drug dependency.

EXHIBIT 1

Private and State Operated Substance Abuse Beds in North Carolina

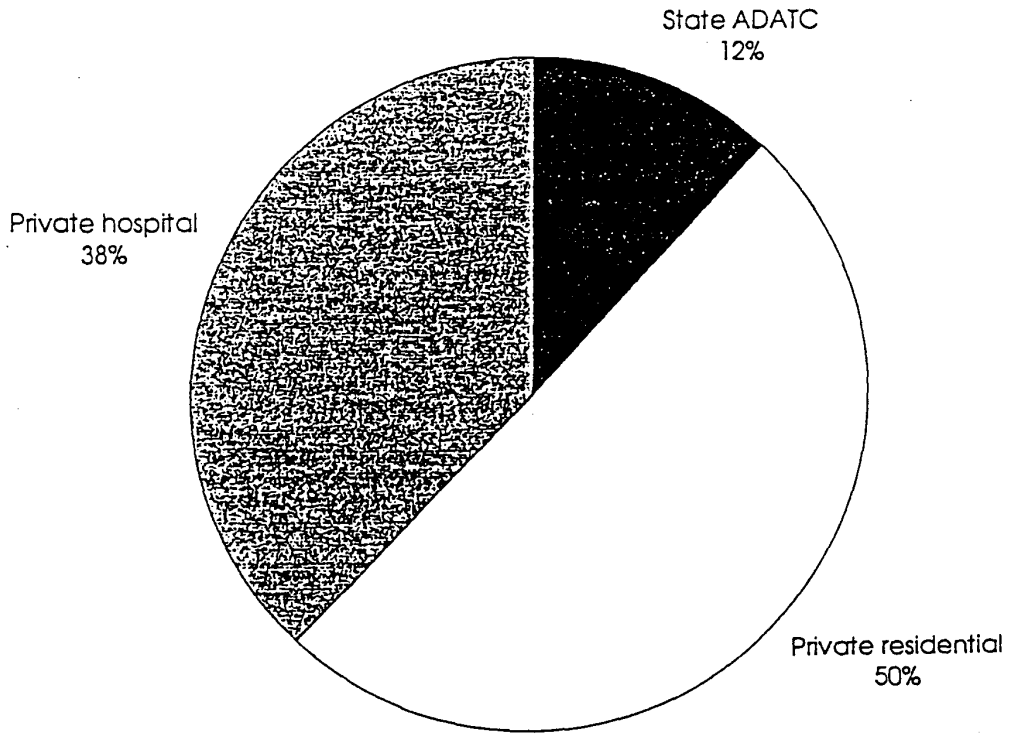
Facilities	Number of Beds	Number of Total	Percent
State Owned & Operated	3	257	12.2%
Acute Care & Specialty Hospitals	29	1,055	50.1%
Residential Facilities	49	792	37.6%
TOTAL	**81**	**2,104**	**100.0%**

Source: Annual Statistical Report for the State ADATCs

The average daily population in the three State ADATCs was 225 for 1990-91. (See Exhibit 3.) The State ADATCs have an average occupancy rate of 87.6 percent and currently have a

EXHIBIT 2

Substance Abuse Treatment Beds in North Carolina



Source: 1991 - 1993 North Carolina State Budget

waiting list for space in the treatment centers. According to Center staff, staff shortages have prevented the Center from filling all available treatment beds.

EXHIBIT 3

1991-92 State Average Utilization Rates

	Average Daily Census	Total Beds	Average Utilization
Black Mountain	89	101	89.5%
Butner	68	80	85.0%
Walter Jones	68	76	89.5%
TOTAL	225	257	87.6%

Source: Department of Human Resources 1991-93 Budget

The State ADATCs are located in three of the four mental health/developmental disabilities/substance abuse planning regions. The South Central Region is the only region without a State Alcohol and Drug Abuse Treatment Center. In 1950, North Carolina built its first Alcohol Rehabilitation Center at Butner. Centers were later opened at Black Mountain and Walter Jones. The South Central Region chose not to build a treatment center and instead received money from the State to treat substance abusers in the Region. A taxation of 5 cents per bottle on alcoholic beverages was the funding source for the construction of the three Centers.

The budget for North Carolina's three ADATCs was $11,752,211 for 1991-92. This is a 22.0 percent increase over the 1989-90 budget of $9,630,596. (See Exhibit 4.) Excluding medical care, the cost of operating the three ADATC's was $4,604,433 for 1991-92. These operating costs include maintenance, utilities and the support staff necessary to operate the facility. The average budget for the three ADATC's was $3,917,404 for 1991-92.

EXHIBIT 4

1991-92 Budget for State Alcohol and Drug Abuse Treatment Centers

Expenditures	Black Mountain	Butner	Walter B. Jones	Total
Maintenance	$719,170	$520,249	$472,209	$1,711,628
Support Services	$1,376,108	$705,664	$811,033	$2,316,907
Medical Care	$2,283,473	$2,385,853	$2,316,907	$6,986,233
Other	$56,851	$51,232	$53,462	$161,545
TOTAL	**$4,435,602**	**$3,662,998**	**$3,653,611**	**$11,752,211**

Source: Department of Human Resources 1991-93 Budget

For 1989-90, the budget for the three ADATCs included funding for 270.5 staff. (See Exhibit 5.) Staff increased by 5.2 percent to 285.3 in 1990-91. The number of staff reported in the budget remained the same for 1991-92.

EXHIBIT 5

ADATC Staff by Fiscal Year

ADATC	1989-90	1990-91	1991-92
Black Mountain	96.0	102.8	102.8
Butner	88.0	91.0	91.0
Walter B. Jones	86.5	91.5	91.5
TOTAL	**270.5**	**285.3**	**285.3**

Source: Department of Human Resources 1991-93 Budget

The North Carolina ADATCs served 3,414 clients in 1990-91, a 7.4 percent decrease from the 3,685 clients served in 1989-90. For the same time period the budget increased by 19.9 percent. As a result, the cost rose 29.4 percent in one year to $3,382 per client served in 1990-91 from $2,613 per client served in 1989-90. (See Exhibit 6.)

The State has a single portal of entry policy for gaining entrance into the ADATCs. Clients can only be referred to the ADATC's from one of the 41 area programs. The 41 area

programs serve catchment areas that cover all 100 counties. Area programs provide community-based services for the treatment of substance abuse as well as refer clients to state ADATCs. Each area program is governed by an area board that is appointed by County commissioners. The area program determines which treatment option will best serve their treatment needs. The treatment options in North Carolina include:

- Outpatient services in the community
- State Alcohol and Drug Treatment Centers
- Private alcohol and drug abuse treatment facilities

Findings

Finding 1 : *There is a six week waiting list to receive treatment in North Carolina's Alcohol and Drug Treatment Centers.*

In North Carolina, there is a waiting list to receive treatment in the State ADATCs, while in the private sector 48.5 percent of the residential beds are available to treat substance abusers. The majority of substance abuse beds in North Carolina are operated by private providers. The State operates 12.2 percent of the substance abuse treatment beds and 87.8 percent are operated by the private sector. The approximate number of available private substance abuse beds in North Carolina is 820. For 1989, the latest year available, the private hospitals had 48.5 percent or 512 empty beds. In the private residential facilities there were 308 or 38.9 percent empty beds. (See Exhibit 7.) These beds could be used to offset the waiting list at State ADATCs.

Clients can only reach the ADATCs by going through one the 41 area programs in North Carolina. Area program staff work with the client to determine the best treatment option for that client. Clients are detoxified at the area programs and then have to wait for treatment. Because there is a six week waiting list for clients who are in need of substance abuse treatment, the client often waits for treatment in an environment that contributed to their addiction.

EXHIBIT 6

SERVICE INCREASES COMPARED WITH BUDGET INCREASES FOR THE ADATC'S

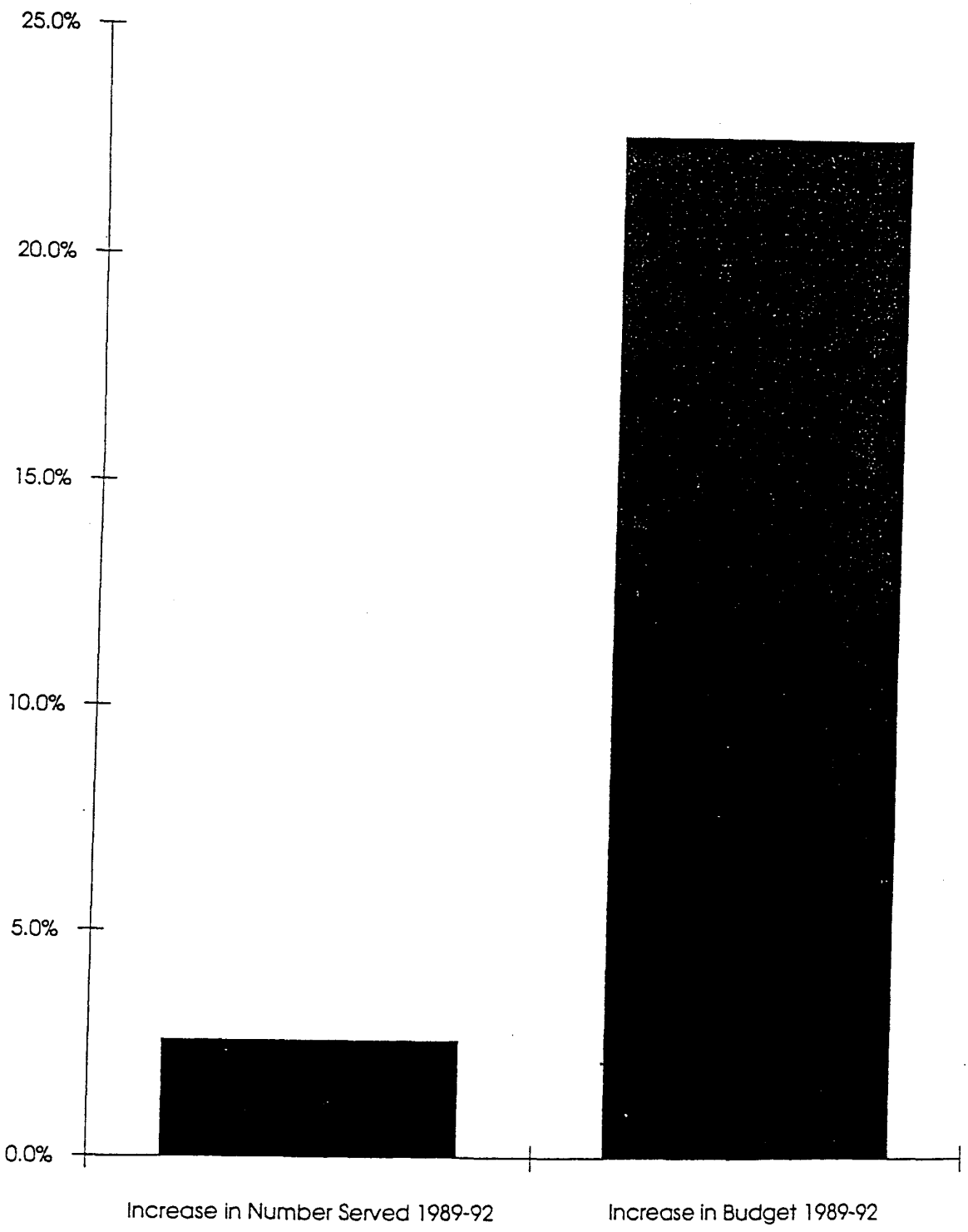
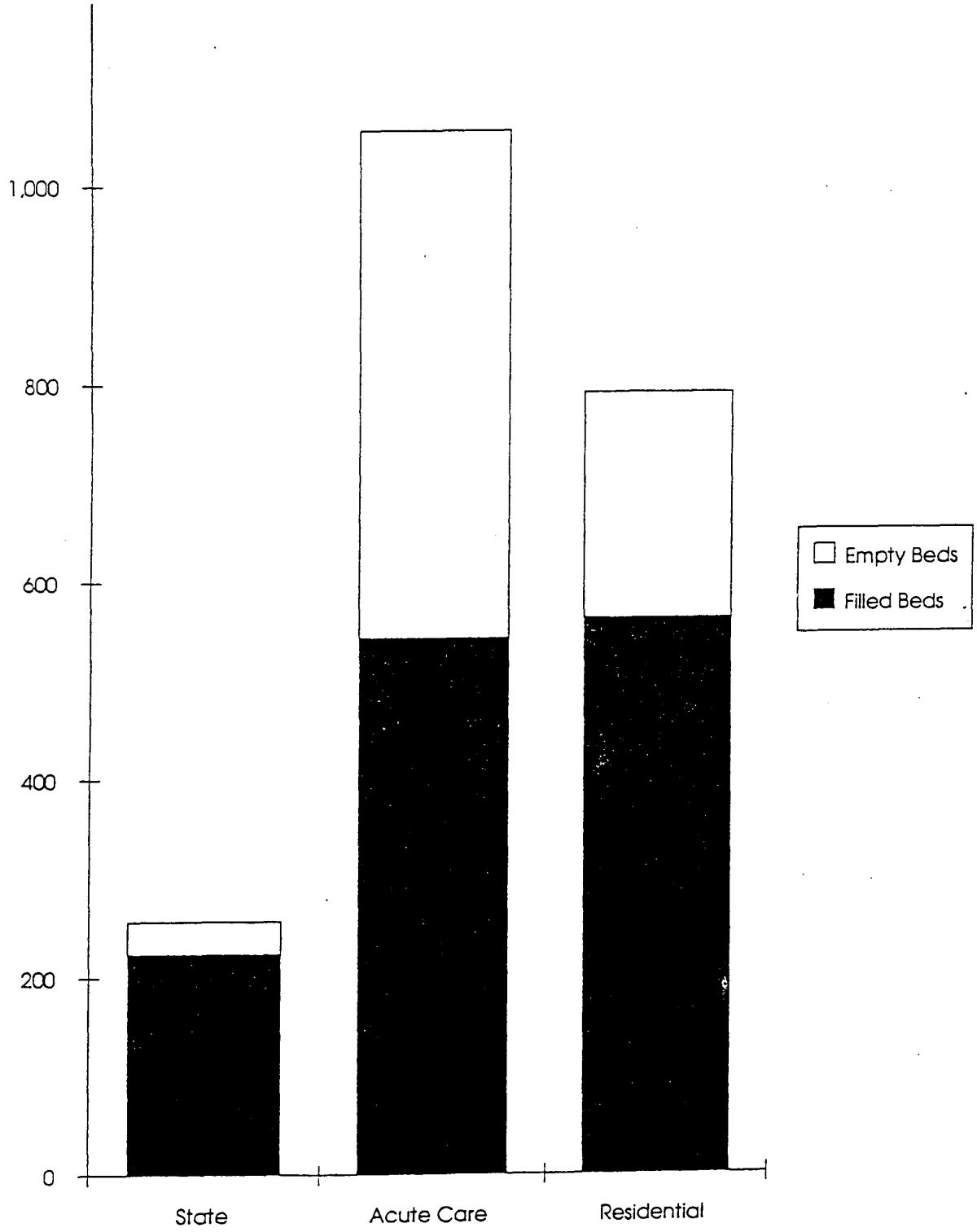


EXHIBIT 7

AVERAGE DAILY CENSUS FOR STATE
AND PRIVATE SUBSTANCE ABUSE CENTERS



Source: North Carolina Medical Facilities Plan, 1991

Finding 2 : ***In North Carolina the cost/bed for residential alcohol and drug treatment is higher than the cost/bed in other selected states' residential and drug treatment programs.***

Tennessee pays 50 percent of the treatment costs to the 67 local agencies in the state's seven planning regions that provide treatment for substance abusers. The remaining 50 percent of the treatment costs comes from federal and local governments, nonprofit organizations, and the client receiving treatment. Tennessee contracts for 280 residential alcohol and drug treatment beds at a cost of $3.8 million annually, or an annual cost/bed of $13,571. (See Exhibit 8.)

In Maryland, the state contracts with each of its 24 county government's health departments to provide a full continuum of treatment services. The county either provides the service or subcontracts to a nonprofit to provide treatment. The state gives the county a fixed amount of funding and any additional funds needed are provided by third party payers, county funds, or grants. In the case of residential treatment centers, the state of Maryland contracts for 601 residential beds with 27 local non-profits. The annual cost to the State for 1991-92 was $14,680,595 or an annual cost/bed of $24,427.

EXHIBIT 8

Cost comparisons for other State funded Alcohol and Drug Treatment Centers (1991-92 dollars)

	Daily State cost/bed	Annual State cost/bed	% of State Funds	Total cost/bed
NORTH CAROLINA	$125.28	$45,728	100%	$45,728
Tennessee	$37.18	$13,571	50%	$27,143
Maryland	$66.92	$24,427	86%	$28,403

Source: North Carolina, Tennessee, and Maryland State Budgets 1991-93

Finding 3 : ***Residential treatment services are not distributed equitably throughout North Carolina.***

In North Carolina, any State resident can use the State Alcohol and Drug Treatment Centers and in practice, those that live closest to the ADATCs use the facilities. North Carolina law requires State ADATCs to treat all interested State residents regardless of their ability to pay for services received.

The residents of the South Central Region are served by the Alcohol and Drug Abuse Treatment Centers in North Carolina's other three regions; the 13 private residential facilities, and the seven acute care and specialty hospitals with substance abuse beds that are located in the South Central Region. Data on the use of ADATCs per 100,000 people in North Carolina show the South Central Region to have the lowest usage rate in the State. (See Exhibit 9.)

EXHIBIT 9

Persons Served By Region for 1990-91

	State Total	Western Region	North Central Region	South Central Region	Eastern Region
Rate of Persons Served/100,000	50.8	55.4	51.5	24.2	71.4

Source: Annual Statistical report for the State ADATCs

The South Central Region residents have a lower utilization rate in the ADATCs for the following possible reasons:

- Residents are served within their community
- Residents are served by the private treatment centers
- South Central Region residents are located further from State ADATCs.

Recommendations

Recommendation 1: North Carolina should transfer the current ADATC budget to the 41 area programs based on service needs and give area programs the option of purchasing residential treatment from State facilities.

Using the single stream of funding approach, the funds to support patient care in the ADATCs should be allocated to the 41 area programs over a period of five years to serve clients in their catchment areas. The budget would be transferred in 20 percent increments. The area programs would be given a choice of purchasing care from the ADATCs or purchasing care from some other community-based treatment option, including, half-way houses, non-residential treatment, free-standing psychiatric hospitals, or general hospitals with psychiatric beds.

Once the ADATCs are supported completely by receipts (services purchased by the area

programs from the ADATCs), the State should consider the option of transferring the entire ADATC operation to private non-profit organizations.

Financial implication. The experience of other states and of North Carolina's South Central region suggest that there are less expensive community-based alternatives to the residential treatment provided by the ADATCs. The South Central region has indicated that with only 67 percent of the ADATC budget for the other three regions, it can provide residential services for clients in its catchment area that need it. Figures from Maryland and Tennessee suggest that residential services can be provided at 59 to 62 percent of what it costs to provide these services in North Carolina. Lacking a detailed cost comparison study, we estimate conservatively that the services purchased from the community will cost about 30 percent less than the services provided directly by the State.

Based on this estimate, the State would reduce the ADATC budget by 100 percent over the next five years, and increase area program budgets 70 percent over the same period. The 30 percent not transferred would result in General Fund savings to the State. This would result in a $24.7 million in General Fund savings over the next nine years. The savings estimates are summarized in Exhibit 10.

Staffing implication. As the ADATC budget is transferred to the area programs, the utilization of staff needs at the ADATCs would likely decrease. The area programs would have an option of purchasing residential care from the State ADATCs, but they could also purchase it from other providers. The likely result would be a net decrease in the need for staff at the ADATCs roughly equal to the percent decrease in the ADATC annual budget. Depending on the rate of decrease in budget, and the willingness of area programs to purchase residential treatment from the ADATCs, the staff downsizing could be accomplished through attrition.

Service implication. Currently, funds are appropriated to the ADATCs for use in treating individuals that are addicted to alcohol or drugs. The service options in treating substance abusers should improve if funds are attached to the individual. The area programs would have the funds for alcohol and drug treatment allocated to them and they could make the decision about what services to purchase for their clients.

Implementation

To implement this recommendation, the State should establish a demonstration program in one of the four regions. It could be carried out in conjunction with a single stream of funding concept for mental health services. To reduce the uncertainty caused by requiring that the ADATCs rely on receipts for a portion of their revenues, the State could negotiate contracts with area programs to make available a certain number of slots per year. Area programs could get a reduced rate for the negotiated slots, and would have to pay extra to receive services above their contracted amount.

Exhibit 10
Estimated annual savings from single stream of funding for ADATCs

	Fiscal Year ending June 30 ($ in millions)								
	1994	1995	1996	1997	1998	1999	2000	2001	2002
Operating costs	$11.8	$11.8	$11.8	$11.8	$11.8	$11.8	$11.8	$11.8	$11.8
Savings	$0.7	$1.4	$2.1	$2.8	$3.5	$3.5	$3.5	$3.5	$3.5
Investments	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Net savings	$0.7	$1.4	$2.1	$2.8	$3.5	$3.5	$3.5	$3.5	$3.5
Cummulative savings	$0.7	$2.1	$4.2	$7.1	$10.6	$14.1	$17.6	$21.2	$24.7

Source: 1991 - 1993 North Carolina State Budget and KPMG Peat Marwick

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