



STATE OF NORTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES

ROY COOPER
GOVERNOR

KODY H. KINSLEY
SECRETARY

July 19, 2023

SENT VIA ELECTRONIC MAIL

The Honorable Donny Lambeth, Chair
Joint Legislative Oversight Committee on
Health and Human Services
North Carolina General Assembly
Room 620, 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 308, 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

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,

DocuSigned by:

A handwritten signature in black ink, appearing to read "Kody H. Kinsley", is written over a blue DocuSign verification line.

On behalf of Kody H. Kinsley

Kody H. Kinsley
Secretary

cc:	Mark Collins	Joyce Jones	Lisa Wilks	Jessica Meed
	Theresa Matula	Katherine Restrepo	Amy Jo Johnson	Luke MacDonald
	Nathan Babcock	Francisco Celis Villagrana	Fred Aikens	Todd Barlow
	Darryl Childers	Melissa Roark	Marissa Doctrove	Tai Rochelle

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AN EQUAL OPPORTUNITY / AFFIRMATIVE ACTION EMPLOYER



STATE OF NORTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES

ROY COOPER
GOVERNOR

KODY H. KINSLEY
SECRETARY

July 19, 2023

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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Sincerely,

DocuSigned by:

on behalf of Kody H. Kinsley
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Kody H. Kinsley
Secretary

cc:	Mark Collins	Joyce Jones	Lisa Wilks	Jessica Meed
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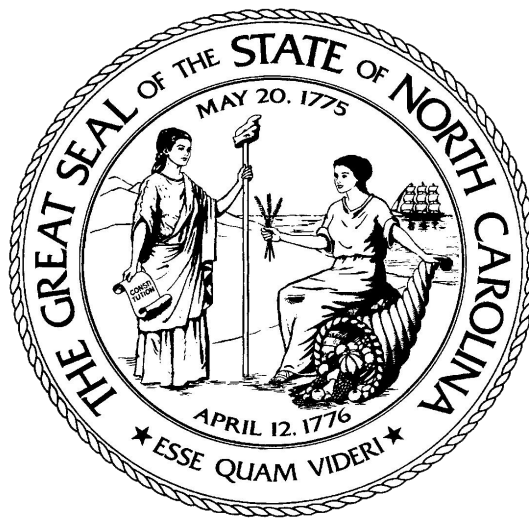
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AN EQUAL OPPORTUNITY / AFFIRMATIVE ACTION EMPLOYER

**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 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

July 19, 2023

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 hospitals or hospital systems, contracted 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 funded for 16 licensed Facility-Based Crisis (FBC) beds for adults. In total, the Session Laws identified above appropriated DDHPF funding for the development of approximately 173 behavioral health beds throughout the State. However, the DDHPF contract for 8 beds with Southeastern Regional Medical Center ended and was not completed, after becoming stalled due to increased estimated costs that exceeded the award amount. This reduced the contracted inpatient psychiatric beds among the hospitals or hospitals systems from 157 to 149: 16 licensed child/adolescent inpatient beds and 133 licensed adult psychiatric inpatient beds. Consequently, the total overall number of beds being developed is 165: 149 inpatient psychiatric beds among hospitals or hospitals systems and 16 licensed FBC beds for adults per the DDHPF contract with Onslow County.

Attachment 1 identifies the DDHPF contract facilities, including the locations by county and Local Management Entity/Managed Care Organization (LME/MCO) service area, as well as the number of beds that are licensed, operational, and in development.

Table 1, below, presents a snapshot of the status of the DDHPF projects. All contracts have been executed, and the design/construction projects are in varying stages of completion, with 130 beds having been brought into operation thus far. Estimated completion dates, where available, of

each project are also indicated. Due to changes to the estimated cost and scope of work for Southeastern Regional Medical Center, the project could not be completed and the contract ended.

Table 1: Contractors, Locations, Beds & State Funding

Contractor	County	City	# of Beds Being Developed	Type of Beds to be Licensed	Contract Amount	# of Operational Beds; or Completion Estimation
Caldwell UNC Health	Caldwell	Lenoir	27	Adult Psychiatric Inpatient	\$4,000,000	27
Cape Fear Valley Health System	Cumberland	Fayetteville	16	Child/Adolescent Psychiatric Inpatient	\$4,000,000	12
Charles A. Cannon, Jr. Memorial Hospital	Avery	Linville	37	Adult Psychiatric Inpatient	\$6,503,478	22
DLP Maria Parham	Franklin	Louisburg	33	Adult Psychiatric Inpatient	\$10,103,500	33
Good Hope Hospital	Harnett	Erwin	16	Adult Psychiatric Inpatient	\$3,000,000	12/31/2024 (16 projected)
MH–Mission Hospital	Buncombe	Asheville	20	Adult Psychiatric Inpatient	\$3,438,179*	20
Onslow County	Onslow	Jacksonville	16	Facility Based Crisis – Adult	\$2,000,000	16
Southeastern Regional Medical Center	Robeson	Lumberton	N/A Contract Ended – Project Not Viable	Adult Psychiatric Inpatient		N/A Contract Ended – Project Not Viable
Total			165		\$33,045,157	130 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. At a minimum, when all beds become operational, at least 75 beds will be required to be reserved for DHHS and LME/MCOs to serve people who are indigent or have Medicaid health insurance. 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. During the month of July 2019, Recovery Innovations, Inc. began serving people who were experiencing behavioral health crises in the 16 licensed and operational FBC beds in the Onslow County facility. Caldwell UNC Health’s 27 new adult psychiatric inpatient beds were licensed and all 27 are operational. Charles A. Cannon, Jr. Memorial Hospital’s project created a new facility, Appalachian Regional Behavioral Health, with 22 of the 37 licensed beds becoming operational as of June 1, 2022. Of Cape Fear Valley Health System’s 16 recently licensed child/adolescent psychiatric inpatient beds, 12 became operational as of June 9, 2022. Each of these facilities has received designation as an Involuntary Commitment (IVC) facility with respect to the new beds.

Of the 130 beds that have become operational, Table 2 below identifies the number of bed days between July 1, 2021 and June 30, 2022 (SFY 2022) that have been reported to the Division of Mental Health, Developmental Disabilities and Substance Abuse Services (DMH/DD/SAS) by the five hospitals and the FBC provider during which behavioral health services were delivered to people needing such care. The bed days reported by the six organizations were paid from the funds held by two payer sources overseen by NC DHHS: Medicaid paid by LME/MCO; and state–funds for medically indigent adults. The state–funded FBC bed days were paid from LME/MCO single stream dollars, while the state–funded psychiatric inpatient care was paid via Three–Way Psychiatric Inpatient Contracts with the LME/MCOs and hospitals.

During SFY 2022 two DDHPF projects were completed; one at Appalachian Regional Behavioral Health and the other at Cape Fear Valley Health hospital. DDHPF Beds have incrementally become operational at the two facilities as staff resources have gradually become available. Total bed days reported thus far by the two newly completed DDHPF facilities were 2,224 for Appalachian Regional Behavioral Health and nine for Cape Fear Valley Health System. The other DDHPF facilities that were previously completed, with beds staffed and operational, reported the following total bed days for SFY 2022: 4,623 for Caldwell UNC Health; 6,334 for DLP Maria Parham; 4,191 for MH Mission Hospital; and 1,505 for Onslow county’s Dix Crisis Intervention Center operated by Recovery Innovations, Inc.

Table 2: Bed Days from July 1, 2021 to June 30, 2022

Contractor	LME– MCO	Service Type	Bed Days: Medicaid	Bed Days: Self–Pay, Medically Indigent	*Bed Days: Other or Unknown	Combined Bed Days
Appalachian Regional Behavioral Health	Vaya Health	Adult Psychiatric Inpatient	929	1,315	–	2,244
Cape Fear Valley Health System	Alliance Health	Adolescent Psychiatric Inpatient	9	0	–	9
Caldwell UNC Health	Vaya Health	Adult Psychiatric Inpatient	1,783	2,840	–	4,623
DLP Maria Parham	Cardinal Innovations	Adult & Geriatric Psychiatric Inpatient	1,257	1,766	3,311	6,334
Mission Health System	Vaya Health	Adult Psychiatric Inpatient	2,262	1,929	–	4,191
Onslow County (Provider: Recovery Innovations, Inc.)	Trillium Health	Facility Based Crisis – Adults	253	1,178	74	1,505
Total			6,493	9,028	3,385	18,906

*Dashes reflect that no data was reported by the facility.

Table 2 reflects the number of days individuals received psychiatric inpatient or FBC services, with the payer sources for the individuals who were identified as having Medicaid, no health insurance, and other/unknown health insurance coverage. A total of 18,906 bed days were reported for the 130 operational DDHPF beds. Of that total, the three hospitals provided a total of 17,401 psychiatric inpatient bed days, and Recovery Innovations, Inc. provided 1,505 FBC bed days.

Additional DDHPF Projects

Additional funds from the Dorothea Dix Hospital Property Fund were appropriated in S.L. 2021-180 for three design/construction projects for the purpose of 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. For Good Hope Hospital the second appropriation of DDHPF funds allows the original project to be completed; the project had incurred costs that exceeded the original contract amount. S.L. 2021-180 also provides other dollars from the State Capital and Infrastructure Fund to those hospitals. S.L. 2022-6 amended S.L. 2021-to allow Harnett County Health System to select a different site, other than Betsy Johnson Hospital, for the project within Harnett County.

Psychiatric Inpatient Bed Utilization Throughout North Carolina

The beds being constructed from the DDHPF are adding to the total psychiatric inpatient beds in community hospitals throughout the state. The Hospital Data Industry Institute and 2022 Mental

Health/Substance Abuse Hospital License Renewal Applications indicate that there were 2,401 licensed psychiatric inpatient beds in the state for Federal FY21-397 for children/adolescents and

2,004 for adults.¹ However, only 72.1% and 60.1% of those beds, respectively, were utilized. This amounted to a total bed utilization rate throughout the state of 62.1%.

Adult and Child/Adolescent Psychiatric Inpatient Bed Utilization FY 2021*

Psychiatric Care in Acute Care Hospitals	Child / Adolescent (0-17)	Adult (18+)	Total
Licensed Beds	166	1,556	1,722
% Utilization of Licensed Psychiatric Beds**	57.2%	55.2%	55.4%

Psychiatric Care in Psychiatric Hospitals	Child / Adolescent (0-17)	Adult (18+)	Total
Licensed Beds	231	448	679
% Utilization of Licensed Psychiatric Beds**	82.7%	77.4%	79.2%

Psychiatric Care in Acute Care Hospitals and Psychiatric Hospitals	Child / Adolescent (0-17)	Adult (18+)	Total
Licensed Beds	397	2,004	2,401
% Utilization of Licensed Psychiatric Beds**	72.1%	60.1%	62.1%

* Does not include psychiatric services in State psychiatric hospitals; based on refreshed FY 2021 DOC data

** Only accounts for days of care provided in licensed beds

¹ Does not include psychiatric beds in the State Psychiatric Hospitals.

Summary

Eight contracts were originally funded by a total of \$34,435,069 from the DDHPF. However, as noted above one DDHPF project with Southeastern Regional Medical Center, with a contract funded at \$1,389,912, was not able to proceed due to a needed change in design that resulted in projected costs far exceeding the contract amount. Of the 165 beds, located in renovated or newly constructed facilities, 149 are psychiatric inpatient beds in community hospitals and 16 beds are in a Facility-Based Crisis program. One hundred thirty of the beds are currently operational. Of the completed projects, fourteen additional beds are anticipated to become operational when the licensure process has been completed and staffing hired/trained. One additional DDHPF project for 16 new beds is ongoing, another contract for six beds was executed on September 2, 2022, while a third draft contract for 12 beds has been developed and is under review by the hospital.

A total of 18,906 bed days of behavioral health care to people, who had Medicaid, no health insurance (medically indigent), or whose health coverage was identified as other or unknown, was reported by the facilities that had provided care in the new DDHPF beds. As of FFY21, psychiatric inpatient bed utilization by local hospitals in North Carolina was 62.1%.

**Attachment 1
North Carolina
Dorothea Dix Hospital Property Funded Contracts
New Behavioral Health Beds: Operational Beds & In Development
As of July 1, 2022**

