

STATE OF NORTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES

ROY COOPER
GOVERNOR

KODY H. KINSLEY
SECRETARY

November 1, 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:
 on behalf of Kody H. Kinsley
Kody H. Kinsley
Secretary

cc:	Mark Collins	Joyce Jones	Lisa Wilks	Susie Camilleri
	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

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KODY H. KINSLEY
SECRETARY

November 1, 2023

SENT VIA ELECTRONIC MAIL

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

Dear Director Matteson:

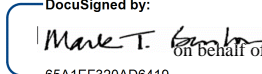
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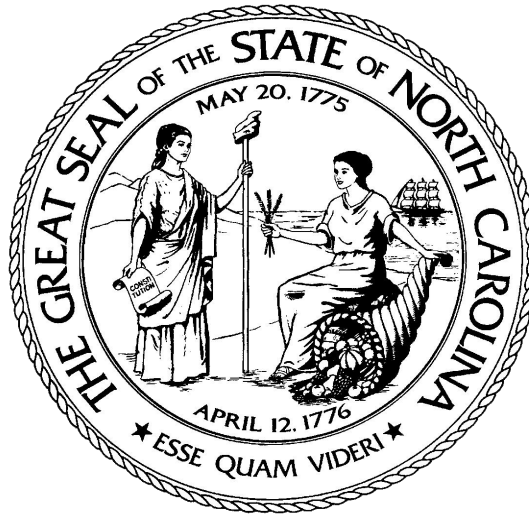
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AN EQUAL OPPORTUNITY / AFFIRMATIVE ACTION EMPLOYER

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

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

Session Law 2018-5, Section 11F.2



**Report to the
Joint Legislative Oversight Committee on Health and Human
Services
and
The Fiscal Research Division
By
North Carolina Department of Health and Human Services**

November 1, 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, one of the DDHPF contracts ended and was not completed due to an increase in estimated costs that exceeded the award amount. This reduced the number of DDHPF beds to be developed by eight, bringing the total DDHPF psychiatric beds to 165. 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 operational or in development.

Additional DDHPF Projects

Additional funds from the Dorothea Dix Hospital Property Fund were appropriated in S.L. 2021-180, Section 9F.9(a) for three design/construction projects focused on increasing behavioral health inpatient beds in rural areas with the highest need. The special appropriations were designated for projects at: Harnett County Health System's Betsy Johnson Hospital, Johnston Health Enterprises, Inc., and Good Hope Hospital in Harnett County. The appropriation for Good Hope Hospital was a second appropriation to provide additional funding needed to complete the project. S.L. 2021-180 also provided funding from the State Capital and Infrastructure Fund for these three hospitals. S.L. 2022-6, Section 3.4(a) amended S.L. 2021-180, Section 9F.9(a)(2) to allow Harnett County Health System, Inc. to select an alternative site

for the project in Harnett County (other than Betsy Johnson Hospital). The additional funding allocated to Good Hope Hospital will enable the completion of 16 adult psychiatric beds. Harnett Health will develop an additional six adult psychiatric beds, and Johnston Enterprises will add 12 child/adolescent psychiatric beds. Once the above beds are developed, the DDHPF projects will have increased North Carolina psychiatric bed capacity by 183 beds.

Table 1, below, presents a summary of the DDHPF project status. All contracts have been executed, and the design/construction projects are in varying stages of completion, with 149 beds brought into operation thus far. The estimated completion dates of each project are also indicated.

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
Appalachian Regional Behavioral Health	Avery	Linville	37	Adult Psychiatric Inpatient	\$6,503,478	37 (22 staffed)
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	16 (12 staffed)
DLP Maria Parham	Franklin	Louisburg	33	Adult Psychiatric Inpatient	\$10,103,500	33 (24-26 staffed during FY23; staffed at 30 in FY24)
Good Hope Hospital	Harnett	Erwin	16	Adult Psychiatric Inpatient	\$4,420,481	12/31/24
Harnett Health Systems, Inc.	Harnett	Dun	12	Child/Adolescent	\$1,420,481	12/31/24

Contractor	County	City	# of Beds Being Developed	Type of Beds to be Licensed	Contract Amount	# of Operational Beds; or Completion Estimation
				Psychiatric Inpatient		
Johnston Health Enterprises	Johnston	Smithfield	6	Adult Psychiatric Inpatient	\$1,420,481	3/3/24
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	-	Adult Psychiatric Inpatient	-	Contract Ended – Project Not Viable
Total			183		\$37,306,600	149 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 83 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. In July 2019, Recovery Innovations, Inc. began serving individuals experiencing behavioral health crises in the 16 FBC 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 27 developed by grant funding and 10 transferred from Cannon Memorial for a total of 37 licensed beds becoming operational as of June 1, 2022. Cape Fear Valley Health System has 16 licensed child/adolescent psychiatric inpatient beds, all of which are operational, but only 12 were staffed in SFY23. Active recruiting for additional staff is ongoing to have all beds staffed in the first quarter of SFY24. Each of these facilities has received designation as an Involuntary Commitment (IVC) facility for the new beds.

Of the 149 operational beds, Table 2 below identifies the number of bed days between July 1, 2022, and June 30, 2023 (SFY 2023) that have been reported to the Division of Mental Health, Developmental Disabilities, and Substance Use Services (DMH/DD/SUS) 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 two funding sources overseen by NC DHHS: Medicaid paid by LME/MCOs and state funds for the uninsured (referred to as medically indigent). The state-funded FBC bed days were paid from LME/MCO single stream dollars, while the state-funded psychiatric inpatient care was paid via a small portion of single stream dollars but primarily through Three-Way Psychiatric Inpatient funds that are a shared contract between DMH/DD/SUS, the LME/MCOs, and designated hospitals.

During SFY 2023, the DDHPF completed facilities with staffed and operational beds reported the following total bed days: 3,196 for Appalachian Regional Behavioral Health; 4,516 for Caldwell UNC Health; 772 for Cape Fear; 3,969 for DLP Maria Parham; 4,506 for MH Mission Hospital; and 5,025 for Onslow county's Dix Crisis Intervention Center operated by Recovery Innovations, Inc.

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 or no health insurance coverage. A total of 21,984 bed days were reported for the 149 operational DDHPF beds. Of that total, the five hospitals provided a total of 16,959 psychiatric inpatient bed days, and Recovery Innovations, Inc. provided 5,025 FBC bed days.

Table 2: Bed Days from July 1, 2022, to June 30, 2023

Contractor	LME–MCO	Service Type	Bed Days: Medicaid	Bed Days: Self–Pay, Medically Indigent	Combined Bed Days
Appalachian Regional Behavioral Health	Vaya Health	Adult Psychiatric Inpatient	1,359	1,837	3,196
Caldwell UNC Health	Vaya Health	Adult Psychiatric Inpatient	1,259	3,257	4,516
Cape Fear Valley Health System	Alliance Health	Adolescent Psychiatric Inpatient	765	7	772
DLP Maria Parham	Vaya Health	Adult & Geriatric Psychiatric Inpatient	1,286	2,683	3,969
Mission Health System	Vaya Health	Adult Psychiatric Inpatient	2,266	2,240	4,506
Onslow County (Provider: Recovery Innovations, Inc.)	Trillium Health	Facility Based Crisis – Adults	4,449	576	5,025
Total			11,384	10,600	21,984

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 Mental Health/Substance Abuse Hospital License Renewal Applications indicate that there were 2,401 licensed psychiatric inpatient beds in the state for Federal Fiscal Year 2021 (FFY21). However, only 62.1% of those beds were utilized.

Inventory and Utilization of Psychiatric Beds, Excluding State Hospitals FFY 2021*

NC Psychiatric Beds FFY 2021						
Total Beds	Licensed Beds	Not Yet Licensed Beds		Total days of Care	% Utilization of Total Beds	% Utilization of Licensed Beds Only
		Child/ Adolescent	Adult			
2603	2401	0	202	551,422	57.3%	62.1%

*Source: 2023 State Medical Facilities Plan (Note: FY21 is referenced because there is not an update to reflect FY22 psychiatric bed utilization in the proposed 2024 State Medical Facilities Plan.)

Summary

The Dorothea Dix Hospital Project Fund initially created eight contracts totaling \$34,435,069. One DDHPF project with Southeastern Regional Medical Center – funded at \$1,389,912 – was unable to proceed based on projected costs exceeding the contracted amount. Of the 149 operational beds located in renovated or newly constructed facilities, 123 are psychiatric inpatient beds in community hospitals and 16 beds are in a Facility–Based Crisis program.

The three additional DDHPF projects that are still in development have increased the total contracted amount to \$37,306,600. These projects will add 22 new adult beds and 12 child/adolescent beds, with an expected completion date of December 31, 2024.

Facilities offering care in the new DDHPF beds reported providing a total of 21,984 days of behavioral health care to individuals who are on Medicaid or individuals who are uninsured. In the FFY21, local hospitals in North Carolina utilized psychiatric inpatient beds at a rate of 62.1%.

**Attachment 1
North Carolina
Dorothea Dix Hospital Property Funded Contracts
New Behavioral Health Beds: Operational Beds & In Development
As of July 1, 2023**

