



STATE OF NORTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

ROY COOPER  
GOVERNOR

KODY H. KINSLEY  
SECRETARY

December 10, 2024

**SENT VIA ELECTRONIC MAIL**

The Honorable Carla Cunningham, Chair  
Joint Legislative Oversight Committee on  
Health and Human Services  
North Carolina General Assembly  
Room 403, 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

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.

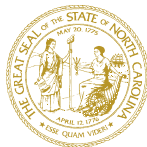
Additionally, Session Law 2018-5, Section 11F.2, requires the Department to report annually on the number of beds or bed days reserved for and purchased by (i) the Department under the State-administered, three-way contract and (ii) the LME/MCOs for individuals who are indigent or Medicaid recipients.

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](mailto:Karen.Wade@dhhs.nc.gov).

Sincerely,

DocuSigned by:  
  
65A1EE320AD6419... on behalf of Kody H. Kinsley  
Kody H. Kinsley  
Secretary



STATE OF NORTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

ROY COOPER  
GOVERNOR

KODY H. KINSLEY  
SECRETARY

December 10, 2024

**SENT VIA ELECTRONIC MAIL**

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

Dear Director Matteson:


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.

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65A1EF320AD6419... on behalf of Kody H. Kinsley  
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Secretary

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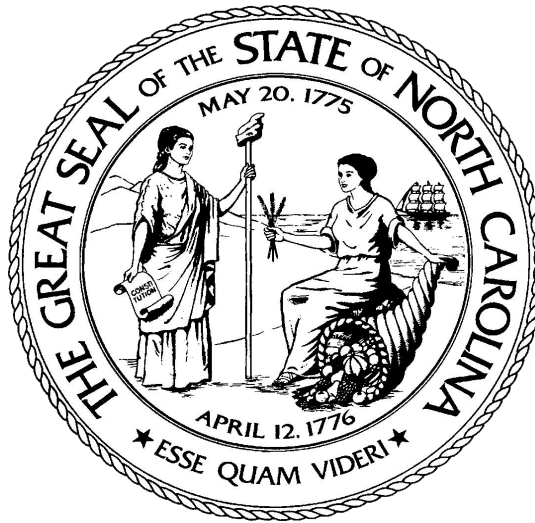
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AN EQUAL OPPORTUNITY / AFFIRMATIVE ACTION EMPLOYER

**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**

**December 10, 2024**

## 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 with hospitals or hospital systems 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 executed to fund 16 licensed Facility-Based Crisis (FBC) beds for adults. In total, the Session Laws identified appropriated DDHPF funding for the development of 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 projected DDHPF beds to be developed at that time by eight, bringing the total projected DDHPF psychiatric beds to 165.

During SFY24, Good Hope Hospital increased its psychiatric bed capacity to 32 adult psychiatric beds with the completion of 16 adult psychiatric beds. Additionally, Johnston Health Services successfully opened 26 adult psychiatric beds, thus raising the operational capacity in SFY24 to 211 psychiatric beds. 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 DDHPF 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 enabled the completion of 32 total adult psychiatric beds. Harnett Health System is developing an additional 16 adult psychiatric beds, and Johnston Enterprises added six additional child/adolescent psychiatric beds, which opened June 2024, which brought the total of licensed beds for Johnston Enterprises to 26 licensed psychiatric beds. Once the above beds are developed and operational, the DDHPF projects will have increased North Carolina psychiatric bed capacity by 227 beds.

Table 1, below, presents a summary of the DDHPF project status. All contracts have been executed, and the design/construction projects have been completed, with one exception (i.e., Harnett Health Systems), with 211 beds brought into operation thus far. The estimated completion date for Harnett Health System is reflected below and the staffed bed capacity of each facility is reflected below.

**Table 1: Contractors, Locations, Beds & State Funding**

<b>Contractor</b>	<b>County</b>	<b>City</b>	<b># of Beds Being Developed</b>	<b>Type of Beds to be Licensed</b>	<b>Contract Amount</b>	<b># of Operational Beds or Completion Estimation</b>
Appalachian Regional Behavioral Health	Avery	Linville	37	Adult Psychiatric Inpatient	\$6,503,478	37 (27 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
Good Hope Hospital	Harnett	Erwin	16	Adult Psychiatric Inpatient	\$4,420,481	Licensed for 32 beds, 16-18 staffed
Harnett Health Systems, Inc.	Harnett	Dunn	16	Child/Adolescent Psychiatric Inpatient	\$1,420,481	12/31/25

<b>Contractor</b>	<b>County</b>	<b>City</b>	<b># of Beds Being Developed</b>	<b>Type of Beds to be Licensed</b>	<b>Contract Amount</b>	<b># of Operational Beds or Completion Estimation</b>
Johnston Health Enterprises	Johnston	Smithfield	6	Adult Psychiatric Inpatient	\$1,420,481	26 staffed
MH–Mission Hospital	Buncombe	Asheville	20	Adult Psychiatric Inpatient	\$3,438,179*	24 staffed
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
<b>TOTAL</b>			<b>187</b>		<b>\$37,06,600</b>	<b>211 Operational</b>

\*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. 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 SFY24. Active recruiting for additional staff is ongoing in all counties with the

objective of having all beds staffed in SFY25. Each of these facilities has received designation as an Involuntary Commitment (IVC) facility for the new beds.

Of the 211 operational beds, Table 2 below identifies the number of bed days between July 1, 2023, and June 30, 2024 (SFY 2024) that have been reported to the Division of Mental Health, Developmental Disabilities, and Substance Use Services (DMH/DD/SUS) by the seven hospitals and the FBC provider during which behavioral health services were delivered to people needing such care. The bed days reported by the eight 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 2024, the DDHPF completed facilities with staffed and operational beds reporting the following total bed days: 3,230 for Appalachian Regional Behavioral Health; 5,320 for Caldwell UNC Health; 3,526 for Cape Fear; 4,028 for DLP Maria Parham; 4,203 for MH Mission Hospital, 3,367 for Johnston Health Services, 3,293 for Good Hope Hospital; and 4,456 for Onslow county's Dix Crisis Intervention Center operated by Recovery Innovations, Inc.

Table 2 also 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 28,552 bed days were reported for the 211 operational DDHPF beds. Of that total, the seven hospitals provided a total of 24,096 psychiatric inpatient bed days, and Recovery Innovations, Inc. provided 4,456 FBC bed days.



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

<b>Contractor</b>	<b>LME–MCO</b>	<b>Service Type</b>	<b>Bed Days: Medicaid</b>	<b>Bed Days: Self–Pay, Medically Indigent</b>	<b>Combined Bed Days</b>
Appalachian Regional Behavioral Health	Vaya Health	Adult Psychiatric Inpatient	2,170	1,060	3,230
Caldwell UNC Health	Vaya Health	Adult Psychiatric Inpatient	2,827	2,493	5,320
Cape Fear Valley Health System	Alliance Health	Adolescent Psychiatric Inpatient	374	281	655
DLP Maria Parham	Vaya Health	Adult & Geriatric Psychiatric Inpatient	1,481	2,547	4,028
Good Hope Hospital	Alliance Health	Adult Psychiatric Inpatient	1,861	1,432	3,293
Johnston Health Enterprises	Alliance Health	Adult Psychiatric Inpatient	2,456	911	3,367
Mission Health System	Vaya Health	Adult Psychiatric Inpatient	2,926	1,277	4,203
Onslow County (Provider: Recovery Innovations, Inc.)	Trillium Health	Facility Based Crisis – Adults	4,432	24	4,456
<b>TOTAL</b>			<b>18,527</b>	<b>10,025</b>	<b>28,552</b>

## 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 211 operational beds located in renovated or newly constructed facilities, 195 are psychiatric inpatient beds in community hospitals and 16 beds are in a Facility–Based Crisis program.

The three additional DDHPF projects that were in development during FY24 have increased the total contracted amount to \$37,306,600. These projects have added 58 new, operational, adult psychiatric beds with the potential to add 16 more adult psychiatric beds in 2025 once Harnett Health Systems is completed. Harnett Health Systems will also add an additional 12 child/adolescent beds, with an expected completion date of December 31, 2025.

Facilities offering care in the new DDHPF facility beds completed during FY24 reported providing a total of 6,660 days of behavioral health care to individuals who are on Medicaid or individuals who are uninsured. Subsequently, during FY24, all DDHPF facilities reported providing 28,552 days of behavioral health services to individuals who are on Medicaid or uninsured individuals. In FFY21, local hospitals in North Carolina utilized psychiatric inpatient beds at a rate of 62.1%.

North Carolina  
Dorothea Dix Hospital Property Funded Contracts  
New Behavioral Health Beds: Operational Beds & In Development  
As of July 1, 2024

