

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015**

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SENATE BILL 318*

Short Title: PED Recs/Publicly Funded Substance Abuse Svcs. (Public)

Sponsors: Senators Hise (Primary Sponsor); and Hartsell.

Referred to: Rules and Operations of the Senate.

March 18, 2015

A BILL TO BE ENTITLED

1 AN ACT INTEGRATING STATE-OPERATED ALCOHOL AND DRUG ABUSE
2 TREATMENT CENTERS (ADATCS) INTO THE ARRAY OF PUBLICLY FUNDED
3 SUBSTANCE ABUSE SERVICES MANAGED BY LOCAL MANAGEMENT
4 ENTITIES/MANAGED CARE ORGANIZATIONS, REALLOCATING DIRECT STATE
5 APPROPRIATIONS FOR ADATCS TO THE DIVISION OF MENTAL HEALTH,
6 DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE SERVICES FOR
7 MANAGEMENT BY THE LME/MCOS, AND STRENGTHENING THE
8 PERFORMANCE MANAGEMENT SYSTEM FOR PUBLICLY FUNDED SUBSTANCE
9 ABUSE SERVICES.
10

11 The General Assembly of North Carolina enacts:

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13 **PART I. DEFINITIONS**

14 **SECTION 1.** As used in this act, the following definitions apply unless the context
15 requires otherwise:

- 16 (1) ADATCs. – All of the Alcohol and Drug Treatment Centers under the
17 jurisdiction of the DHHS Secretary, as identified in G.S. 122C-181.
18 (2) DHHS. – The North Carolina Department of Health and Human Services.
19 (3) DMH/DD/SAS. – The Division of Mental Health, Developmental
20 Disabilities, and Substance Abuse Services of the North Carolina
21 Department of Health and Human Services.
22 (4) DSOHF. – The Division of State-Operated Healthcare Facilities of the North
23 Carolina Department of Health and Human Services.
24 (5) LME/MCO or Local Management Entity/Managed Care Organization. – As
25 defined in G.S. 122C-3; a local management entity that is under contract
26 with DHHS to operate the combined Medicaid Waiver program authorized
27 under Section 1915(b) and Section 1915(c) of the Social Security Act.
28 (6) Transition period. – The three-year period beginning July 1, 2016, and
29 ending June 30, 2019, during which ADATCs are to be fully integrated into
30 the array of publicly funded substance abuse services managed by the
31 LME/MCOs.
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33 **PART II. DHHS TRANSITION BUSINESS PLAN FOR INTEGRATING ADATCS**
34 **INTO THE ARRAY OF PUBLICLY FUNDED SUBSTANCE ABUSE SERVICES**
35 **MANAGED BY LME/MCOS.**



1 **SECTION 2.(a)** It is the intent of the General Assembly to integrate the ADATCs
2 into the array of publicly funded substance abuse services managed by the LME/MCOs over a
3 three-year period, beginning no earlier than July 1, 2016, and ending with full integration by
4 June 30, 2019.

5 **SECTION 2.(b)** By April 1, 2016, DHHS shall prepare and submit to the Joint
6 Legislative Oversight Committee on Health and Human Services a three-year transition
7 business plan for integrating all ADATCs into the array of publicly funded substance abuse
8 services managed by the LME/MCOs. The plan shall include at least all of the following
9 components:

- 10 (1) The projected demand by LME/MCOs for substance abuse services provided
11 by the ADATCs during (i) each fiscal year of the transition period and (ii)
12 the first three fiscal years subsequent to full integration of the ADATCs into
13 the array of publicly funded substance abuse services managed by the
14 LME/MCOs.
- 15 (2) The projected availability of services at all ADATCs during (i) each fiscal
16 year of the transition period and (ii) the first three fiscal years subsequent to
17 full integration of the ADATCs into the array of publicly funded substance
18 abuse services managed by the LME/MCOs.
- 19 (3) Procedures for making operational adjustments at each of the ADATCs
20 during the transition period based upon the demand for services and the
21 availability of funding to provide these services. Operational adjustments
22 may include one or any combination of the following:
 - 23 a. Staffing adjustments.
 - 24 b. Changes in the use of contract staff.
 - 25 c. Facility closures.
- 26 (4) A methodology for establishing and updating the rates to be paid by
27 LME/MCOs for substance abuse services provided by ADATCs to
28 individuals receiving these services under the management of the
29 LME/MCOs.
- 30 (5) A uniform process for LME/MCOs to give prior authorization for ADATCs
31 to admit and treat individuals whose care is managed and paid for by the
32 LME/MCOs. The prior authorization process developed pursuant to this
33 subsection shall be developed by DHHS, in consultation with the
34 LME/MCOs. As part of this process, an ADATC shall provide screening and
35 triage services and notify the appropriate LME/MCO when an individual
36 reliant upon State funds for substance abuse services seeks direct admission
37 to the ADATC. The LME/MCO for the catchment area in which the
38 individual resides shall determine if the individual should be admitted to the
39 ADATC based upon clinical information provided by the ADATC. If the
40 LME/MCO approves admission, the LME/MCO shall be financially
41 responsible for all inpatient substance abuse services rendered by the
42 ADATC to the individual. If the LME/MCO denies admission, the
43 LME/MCO shall be responsible for paying the cost of assessment services
44 performed by the ADATC and for making arrangements for the individual to
45 receive alternative substance abuse services.

47 **PART III. TERMINATION AND REALLOCATION OF DIRECT STATE** 48 **APPROPRIATIONS FOR ADATCS**

49 **SECTION 3.(a)** It is the intent of the General Assembly to gradually terminate all
50 direct State appropriations for ADATCs by the beginning of the 2019-2020 fiscal year and
51 instead reallocate this funding to DMH/DD/SAS for community services in order to allow the

1 LME/MCOs to assume responsibility for managing the full array of publicly funded substance
2 abuse services, including those delivered through the ADATCs. To this end and
3 notwithstanding any other provision of law, all direct State appropriations for ADATCs are
4 terminated effective July 1, 2019, and reallocated to DMH/DD/SAS for allocation to the
5 LME/MCOs. The LME/MCOs shall use these reallocated funds to manage and pay for the
6 utilization of substance abuse treatment and services for individuals within their respective
7 catchment areas.

8 **SECTION 3.(b)** In order to allow the LME/MCOs to plan in advance how to
9 effectively and efficiently manage these reallocated ADATC funds, DMH/DD/SAS shall do all
10 of the following:

- 11 (1) Calculate and notify each LME/MCO by August 1, 2015, of its estimated
12 share of these fund allocations for each fiscal year of the transition period.
13 The estimated share of fund allocations for each LME/MCO shall be:
 - 14 a. Based on the total amount of direct State appropriations allocated to
15 the ADATCs for the 2015-2016 fiscal year.
 - 16 b. Proportional to the total population of the LME/MCO catchment
17 area, except that the estimated share of allocations for the
18 LME/MCO known as Cardinal Innovations Healthcare Solutions
19 (Cardinal) shall be reduced by an amount sufficient to reflect the
20 ADATC state institution fund allocation received by Cardinal for the
21 original counties under the Piedmont Demonstration Project.
- 22 (2) As a condition of receiving its share of reallocated ADATC funds, require
23 each LME/MCO to submit by February 1, 2016, a written transition plan
24 describing how the LME/MCO plans to use these reallocated ADATC funds
25 to (i) build capacity for community-based substance abuse services, (ii)
26 reduce gaps in substance abuse services, (iii) purchase substance abuse
27 services from the ADATCs, or (iv) any combination of these.
28 DMH/DD/SAS shall review the written transition plans to ensure each
29 LME/MCO proposes using these reallocated ADATC funds to purchase
30 substance abuse services.

31 32 **PART IV. LME/MCO PAYMENT AND UTILIZATION MANAGEMENT FOR** 33 **ADATC SERVICES**

34 **SECTION 4.** In order to allow the LME/MCOs to effectively and efficiently
35 manage utilization of, and payment for, ADATC services for individuals within their respective
36 catchment areas, each LME/MCO shall do all of the following:

- 37 (1) By February 1, 2016, submit to DMH/DD/SAS a written transition plan
38 describing how it plans to use reallocated ADATC funds to (i) build capacity
39 for community-based substance abuse services, (ii) reduce gaps in substance
40 abuse services, (iii) purchase substance abuse services from the ADATCs, or
41 (iv) any combination of these.
- 42 (2) By February 1 of each year, submit to DSOHF its projected demand for
43 ADATC services for the upcoming fiscal year.
- 44 (3) By April 1 of each year, enter into a contract with DSOHF for the ADATC
45 services it intends to utilize during the next fiscal year. The contract shall
46 include at least all of the following terms:
 - 47 a. The projected amount of substance abuse services to be provided by
48 the ADATCs to individuals within the LME/MCO catchment area.
 - 49 b. The negotiated rate to be paid by the LME/MCO for substance abuse
50 services provided by the ADATCs to individuals receiving these
51 services under the management of the LME/MCOs. The negotiated

1 rate shall be sufficient to cover one hundred percent (100%) of the
2 actual cost to the ADATCs for providing these services, except that
3 during the transition period the negotiated rate shall be calculated as
4 follows:

- 5 1. For fiscal year 2016-2017, LME/MCOs shall pay twenty-five
6 percent (25%) of the facility's per bed day cost for ADATC
7 services provided to individuals under the management of the
8 LME/MCOs.
 - 9 2. For fiscal year 2017-2018, LME/MCOs shall pay fifty
10 percent (50%) of the per bed day cost for ADATC services
11 provided to individuals under the management of the
12 LME/MCOs.
 - 13 3. For the 2018-2019 fiscal year, LME/MCOs shall pay
14 seventy-five percent (75%) of the per bed day cost for
15 ADATC services provided to individuals under the
16 management of the LME/MCOs.
- 17 c. Any conditions imposed upon the ADATCs for receiving payment
18 from the LME/MCOs for services provided to individuals whose care
19 is managed and paid for by the LME/MCOs, including prior
20 authorization.
- 21 (4) Implement and enforce the prior authorization process established by DHHS,
22 in consultation with the LME/MCOs, pursuant to Section 2(b)(5) of this act.
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24 **PART V. ADJUSTMENT OF ADATC OPERATIONS**

25 **SECTION 5.** It is the intent of the General Assembly that at the end of the
26 transition period, each of the ADATCs be wholly receipt-supported. To this end, during the
27 transition period, each of the ADATCs shall annually evaluate and adjust their operations based
28 upon the projected demand for services and the availability of funding to meet the demand for
29 services from direct State appropriations and estimated receipts from Medicare, Medicaid,
30 insurance, self-pay, and the LME/MCOs. These operational adjustments shall be in compliance
31 with the procedures established by DHHS pursuant to Section 2(b)(3) of this act.
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33 **PART VI. OVERSIGHT AND REPORTING**

34 **SECTION 6.(a)** During the transition period, DMH/DD/SAS shall monitor each of
35 the following with respect to integration of the ADATCs into the array of publicly funded
36 substance abuse services managed by the LME/MCOs:

- 37 (1) Expenditures by LME/MCOs and by ADATCs to ensure that North Carolina
38 continues to meet the maintenance of effort requirements of the federal
39 Substance Abuse Prevention and Treatment Block Grant.
- 40 (2) Efforts by each of the LME/MCOs to increase capacity for substance abuse
41 treatment to ensure the development of community-based services to meet
42 the needs of individuals formerly served by the ADATCs.
- 43 (3) Utilization by LME/MCOs of substance abuse services provided by the
44 ADATCs.

45 **SECTION 6.(b)** Beginning October 1, 2016, and annually thereafter until October
46 1, 2020, DHHS shall report to the Joint Legislative Oversight Committee on Health and Human
47 Services and the Joint Legislative Program Evaluation Oversight Committee on each of the
48 following:

- 49 (1) The status of fully integrating the ADATCs into the array of publicly funded
50 substance abuse services managed by the LME/MCOs.

- 1 (2) A breakdown of how direct State appropriations reallocated from the
2 ADATCs to the LME/MCOs have been used to purchase substance abuse
3 services.
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5 **PART VII. PLAN FOR STRENGTHENING PERFORMANCE MANAGEMENT FOR**
6 **THE STATE'S PUBLICLY FUNDED SUBSTANCE ABUSE SERVICES**

7 **SECTION 7.** By January 15, 2016, DMH/DD/SAS, in consultation with the
8 LME/MCOs, shall develop and submit to the Joint Legislative Oversight Committee on Health
9 and Human Services a plan to strengthen performance management for the State's publicly
10 funded substance abuse services. The Department is encouraged to consult with other Divisions
11 under its jurisdiction, the North Carolina Court System, and other State agencies, including the
12 Departments of Public Safety, Revenue, and Commerce, in order to develop a plan that
13 integrates other data into a performance management system that measures outcomes. The plan
14 shall identify at least all of the following:

- 15 (1) Specific long-term outcome measures to be tracked by DMH/DD/SAS.
16 (2) Challenges with the current information technology system used for
17 Medicaid claim adjudication that may limit the State's ability to implement
18 meaningful performance management, and proposed remedies for either
19 eliminating this limitation in the system or collecting needed data from the
20 LME/MCOs.
21 (3) Time lines for all steps necessary for DMH/DD/SAS to begin tracking
22 long-term outcome measures.
23 (4) Data elements, such as patient placement criteria data, that would allow
24 DMH/DD/SAS to improve the process for analyzing service gaps in
25 substance abuse services.
26 (5) Protocols for using long-term outcomes to (i) assess the effectiveness of
27 treatment modalities and practices, (ii) measure the performance of providers
28 and LME/MCOs in the delivery of substance abuse services, and (iii) hold
29 LME/MCOs accountable for effective and efficient treatment.
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31 **PART VIII. EFFECTIVE DATE**

32 **SECTION 8.** This act is effective when it becomes law.