

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2015

**H.B. 119**  
**Feb 27, 2015**  
**HOUSE PRINCIPAL CLERK**

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HOUSE DRH20001-MGza-8C\* (11/19)

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

Sponsors: Representatives Horn, Hurley, and Saine (Primary Sponsors).

Referred to:

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

12 The General Assembly of North Carolina enacts:

13  
14 **PART I. DEFINITIONS**

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

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

34 **PART II. DHHS TRANSITION BUSINESS PLAN FOR INTEGRATING ADATCS**  
35 **INTO THE ARRAY OF PUBLICLY FUNDED SUBSTANCE ABUSE SERVICES**  
36 **MANAGED BY LME/MCOS.**



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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.  
23

## 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.