NORTH CAROLINA CENTER FOR
PUBLIC POLICY RESEARCH INC.

NEWS RELEASE

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Center Evaluates State Program Treating Mental Health Patients at Local Hospitals

The N.C. Center for Public Policy Research released today the first independent evaluation of a statewide initiative to purchase bed space and build capacity for mental health patients in crisis at local hospitals across North Carolina. The goal of the program is to increase the number of beds available for mental health patients, keeping them out of hospital emergency rooms and out of the state psychiatric hospitals.

North Carolina's ongoing reform of its mental health system is guided by a strategy of providing comprehensive services in local communities, reserving the state's three large psychiatric hospitals for patients needing long-term care. Achieving this, however, requires communities to have hospitals with psychiatric units capable of providing short-term inpatient care – care for people who are temporarily unstable, having a psychotic episode, are suicidal or pose a risk to others, or have relapsed in their substance abuse treatment.

In 2008, the legislature first funded "three-way contracts" between the state, local mental health management entities (also called LMEs), and hospitals across the state. LMEs are the local agencies responsible for managing the provision of mental health services in the area served. The three-way contracts were developed as a way of moving North Carolina closer to the comprehensive local service system envisioned under the state's 2001 mental health reform legislation.

Mebane Rash, an attorney and editor of the Center's journal, *North Carolina Insight*, says, "Many communities in North Carolina don't have enough beds for patients in crisis. Without enough beds, people turn to their local emergency rooms for help, or patients end up in local jails or state prisons." According to a report issued by N.C. Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, more than 135,000 people across the state were seen in a hospital emergency room for a mental health crisis in 2010.

And, in 2009, a survey by NAMI-Wake County of all of North Carolina's 100 county sheriffs found that there were 32,339 transports of mentally ill residents by deputies to serve commitment papers, transport the person to the nearest medical facility, or transport the individual to the nearest hospital with available psychiatric beds. A total of 228,353 hours of deputy time were involved.

Goals of the Three-Way Contracts for Various Stakeholders

The Center's research finds that the three-way contracts serve these goals for various stakeholders:

- *Patients* obtain mental health treatment closer to home, where support networks are already in place.
- *Hospitals* receive payment for treating patients who are otherwise uninsured.
- *Local Management Entities* are able to strengthen the continuum of care for those in crisis within their community.
- *The State* reduces short-term admissions to state psychiatric hospitals and saves money.

Since 2009, the number of patients served through three-way contracts nearly quadrupled, rising from 1,531 to 5,650. In 2011-12, state funding for the beds under three-way contracts totaled $29.1 million, purchasing 122 beds at 21 hospitals across North Carolina. The hospitals are paid $750 per day per patient bed. In 2012, the legislature appropriated an additional $9 million for the contracts, bringing the total appropriation to $38.1 million and paying for up to 186 beds. Currently, the state has contracts for 135 beds at 22 hospitals. Five more hospitals have indicated they are interested in the program.

The Center's Research Findings

The Center's research finds:

- The number of patients served under three-way bed contracts is almost as many served each year by the three state psychiatric hospitals combined.
- Readmission rates for people served under the three-way contracts are lower than for those served in state hospitals.
- Short-term admissions (seven days or less) to state hospitals have dropped from 51 percent of total admissions in 2008-09 to 21 percent in 2011-12.
- The average length of stay in emergency departments for patients that were transferred to a community hospital was more than 12 hours shorter than the average length of stay for those that were transferred to a state psychiatric hospital.
- The average length of stay for patients served through the three-way contracts at all hospitals is less than seven days – as intended.

Based on these findings, the N.C. Center for Public Policy Research concludes that the three-way contracts have been a *qualified* success. All of the stakeholders interviewed by the Center support the program's goals, but hospital officials voiced financial concerns, especially about the timeliness of the state's payments to local hospitals. Stakeholders also expressed concern about the flow of communications, partner responsibilities, the supply of mental health workers, and the program's place within the state's overall goals in mental health reform. Such concerns must be addressed if the program is to be sustainable over time.

The Center's Recommendations

Based on its research on the three-way contracts, the N.C. Center for Public Policy Research makes four recommendations to improve the program:

Recommendation #1: The Center recommends that the Secretary of the N.C. Department of Health and Human Services develop a strategy to ensure timely payments under these contracts. The timeliness of payments is a major concern for hospitals that, if left unresolved, could lead some local hospitals to terminate their contracts. While the state's problems with cash flows because of the Great Recession were the primary reason for delays in payments in the early days of this program, billing lags from the local mental health management entities (LMEs) and slow payments by the state continue to persist. For example, officials at Cannon Memorial Hospital in Linville noted at a legislative hearing this fall that they waited seven months to receive payment, and they suggested submitting claims directly from the hospitals to the state in the future.

Recommendation #2: The Center recommends that the N.C. Division of Mental Health, Developmental Disabilities, and Substance Abuse Services publicize that they have a designated staff person serving as a liaison for the three-way contracts, as well as publicize that they have a state working group for the three-way contracts that addresses clinical concerns. It is important to local hospitals to have the state involved in these contracts. It signifies to them a longer-term state commitment, standardization across the contracts, and accountability for timely payments. However, local hospitals and LMEs currently don't know who to call. As a result, the state is viewed by many stakeholders as a distant partner, often only involved when there is a problem. Hospitals and LMEs also say that very little information is available about the state's working group. They would like regularly scheduled meetings, advance notice, and input on the agendas.

Recommendation #3: The Center recommends that the N.C. Department of Health and Human Services require state psychiatric hospitals to open their existing training programs for their own state employees to the local community hospitals participating in the three-way contracts. It is impractical for most community hospitals to operate their own psychiatric training programs. It also would be more expensive for the

state to provide special training at the different local hospitals that currently participate in the contracts. But, the state psychiatric hospitals already provide their staff members with annual training and could open this training up to local employees participating in the three-way contracts. With local hospital staff trained to meet state standards, community hospitals would be better equipped to handle patients with mental illness and perhaps would be able to serve even more patients.

According to Stephanie Greer of Appalachian Regional Healthcare System in Watauga County, community hospitals need direct care workers *trained* to handle varying levels of mental health issues. Without such workers, hospitals will be unable to serve all the patients they could and will refer patients to state psychiatric hospitals, even if local beds are funded.

Recommendation #4: The Center recommends that the N.C. Department of Health and Human Services develop outcome measures for this program. Given the increased investment of state dollars in this program (now $38.1 million), the three-way contracts now are established enough that program and patient outcomes should be identified, tracked, and reported annually. Outcomes measures should not only track numbers of patients served, but also whether the patients get better and do not have to be re-admitted again and again for treatment.

The U.S. Supreme Court's 1999 decision in *Olmstead v. L.C.* requires all states to treat mental health patients in the least restrictive setting possible. As a result, the state has invested almost $125 million in three-way contracts since 2008, purchasing bed space at community hospitals across North Carolina to serve mental health patients in crisis. These beds keep patients out of the state psychiatric hospitals and provide care for them close to home – near family and friends and treatment providers in communities where they belong. The state has chosen a strategy to address this particular critical need, implemented the strategy, and funded the strategy.

The Center's Mebane Rash says, "Often, the state's biggest problem with mental health reform has been its ability to stick with any one strategy. While the Center's research suggests some key changes to the three-way contracts and better evaluation of the program going forward, the state should stay the course with this strategy. It's better for the patients, the local hospitals, and the state."

The Center's Overall Study of Mental Health Reform

The Center's review of the state's program to buy bed space and build capacity for mental health patients in crisis at local hospitals is published in the latest edition of *North Carolina Insight*, the Center's journal. This research is part of the nonprofit's four-year study of mental health reform in North Carolina. A special report entitled *The History of Mental Health Reform in North Carolina* was released in March 2009, and an assessment of the state's mental health reform strategy was released in March 2011.

In another article in the same issue of *Insight,* the Center points out that significant changes in mental health policy have marked the last 12 years since the 2001 reform legislation. This includes the implementation of a **new provider model**, called CABHAs or Critical Access Behavioral Health Agencies, and a **new funding model**, the federal Medicaid waiver. The waiver will move the state from a fee-for-service model to a capitated model, where the state will pay a set amount of money each month for each consumer served. Since the 2001 reform legislation, the state has shifted its local **governance model** for mental health services from 39 area mental health authorities to 23 local management entities to 11 managed care organizations. The reformed mental health system also has been on a **roller coaster ride of state funding** – from $581 million at the start of the reform effort in 2001-02 to a high of $743 million in 2008-09 to a low of $664 million in 2009-10. Finally, **shifts in leadership** in the state's Department of Health and Human Services and at the legislature further complicate this issue and compromise the stability of the system. About 60 percent of the state's legislators in 2013 will not have been there just three years ago.

About the N.C. Center for Public Policy Research

The N.C. Center for Public Policy Research is an independent, nonpartisan, nonprofit research organization created in 1977 to evaluate state government programs and study important public policy issues facing North Carolina. The Center is supported in part by a grant for general operating support from the Z. Smith Reynolds Foundation in Winston-Salem, with additional support from 11 other private foundations, 100 corporate contributors, and about 500 individual and organizational members.

Funding for the Center's examination of mental health reform in North Carolina and the 50 states was provided in part by grants from the Kate B. Reynolds Charitable Trust, the N.C. GlaxoSmithKline Foundation, the Cone Health Foundation, the John Rex Endowment, and the Reidsville Area Foundation. The Center extends its sincere thanks to these foundations for their support for this project.

The Center also will publish a citizen's guide to the 2013-2014 legislature early in 2013. Other upcoming Center studies will examine tuition and financial aid policy, including how to increase the state's college-going and college completion rates. The Center also is conducting research on issues affecting North Carolina's rapidly-growing aging population.

The Center's 60-page evaluation of the state's three-way contracts program is available to download electronically for $5. It also is published in the latest 135-page issue of the Center's journal, *North Carolina Insight*. The entire issue can be downloaded electronically for $10, or a printed copy can be purchased for $25. By becoming a Center e-Member for $50, anyone can receive online all other articles in the Center's study of mental health as they are completed, future issues of *Insight,* and the Center's quarterly newsletter for a year. To order a printed copy, call Tammy Bromley at (919) 832-2839, fax (919) 832-2847, or send an email to *tbromley@nccppr.org*. To download an electronic copy of the article, entire journal, or become a member of the Center, visit their Website at www.nccppr.org.

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