



*Creating solutions, **One** person at a time*

PBH Plan to Manage Reductions in State Service Funding And Changes in the Medicaid Program

The NC General Assembly made significant reductions in the amount of state funding for programs serving people with mental health, developmental disability and substance abuse conditions. These reductions are due to shortfalls in North Carolina's tax revenue projections for the next two fiscal years and are related to the problems in our national and local economies. The following state wide reductions were taken:

LME System Management (Admin) 4.14%	\$5,245,586
Recurring Reduction	
State funds supplementing Medicaid waiver services for people with developmental disabilities	\$16,000,000
Recurring Reduction	
Non-core Community Services (Child Treatment Services, formerly Willie M.), pro-rated	\$4,017,219
Recurring Reduction	
State Funded Services:	\$55,000,000
\$40m reduced by Legislature for 2009/2010 and 2010/2011	
\$15m one time 5% Governor's Reserve Fund taken for 2009/2010 only	
Of the \$55million, \$21,875,000 was reduced from fund balance of LMEs based on unrestricted fund balance; remainder of \$30,925,000 was reduced based on the LME's total non-CASP state and federal funding.	
This is a <u>Non-recurring</u> Reduction; it is only for 2009-2010 and 2010-2011	
Total Reductions to LMEs	\$80,262,805

Reductions and increases to the PBH Allocation are as follows:

PBH: New Funding		PBH: Reduced Funding	
Mobile Crisis	\$34,833	Community Services (CTSP)	\$658,520
		Recurring Reduction	
		Elimination of state services for consumers receiving Medicaid Waiver Services (Innovations)	\$1,543,017
		(services not included in the waiver such as guardianship care or room and board are exempted)	
		Recurring Reduction	
		Share of state reduction:	\$2,389,949
		<ul style="list-style-type: none"> • PBH Fund Balance: \$500,000 • PBH Share of \$55million: \$1,813,210 • Cross Area Service Provider funding (CASP): Geriatric Team and SA group home for children (home closed September 09): \$76,739 	
		Reduction not recurring after 2010-2011.	
Total Increase for PBH	\$34,833	Total Decrease for PBH	\$4,591,486

The Department of Health and Human Services, which includes the Division of Mental Health, Developmental Disabilities and Substance Abuse Services and the Division of Medicaid Services, received an overall reduction of 30%. Because this reduction includes both state and Medicaid service reductions, the impact on community services is significant. Statewide **Medicaid Reductions** include the following:

- **Community Support Services reduced:** Projected savings in state match of \$65 million projected for 2009-2010
- **Community Support Services ended** in 2010-2011 with a projected savings in state match of \$97.5 million.

- **Reduce the number of children served and the length of stay in Level III and Level IV group homes:** \$15.8 million in state funds will be saved in 2009-2010 and \$22.5 million in state funds will be saved in 2010-2011.
- **Consolidation of Case Management Services:** \$41 million will be saved in 2009-2010 and \$72.9 million will be saved in 2010-2011. The goal is to eliminate duplication of activities across various agencies providing case management including DSS, Health Departments, and LME providers.
- **Provider Rate Reduction:** Medicaid Provider rates will be reduced but we do not have definitive information on the new rates. PBH will evaluate our provider rates when this information is available.

How will PBH handle these changes?

Over the summer we have been working on a plan of how to address the anticipated budget reductions. One step we took was to maintain the freezes on state funded services that we put in place last year. This gave us a head start on the reductions.

In total, PBH is losing approximately 24% of our **state community service funding** (not including state hospital funding). As indicated in the attached document, the General Assembly plans to restore the \$40 million reduction to the community service budgets in the next biennium (2011-2013), so we expect that about 50% of the \$4.5 million reduced will be restored to our budget in the future. Our state hospital dollars were *not reduced*.

Our plan for **STATE funded services** is delineated in the attached "PBH Plan to Address Budget Reductions in State Funded Services October 1, 2009." In summary the plan calls for:

1. No reductions in our long term care programs such as our ADVP services, our adult group homes, psycho-social rehabilitation programs and others as noted in the plan.
2. Continuation of the freeze on services that was initiated last fiscal year.
3. Safety net services that will not be frozen or capped.
4. Continued access to state funded Inpatient Services (These will not be frozen or capped.)

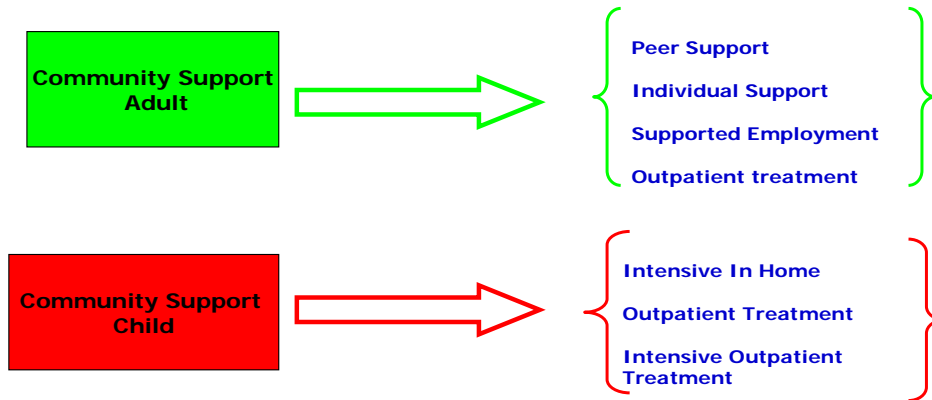
The budget bill enacted by the General Assembly requires state funded services for Consumers enrolled in the **Innovations Waiver** be eliminated, *except* for former Thomas S consumers. Former Thomas S consumers can continue to receive both Innovations funded and state funded services *when continued state services are medically necessary*. PBH Support Coordinators will be meeting with consumers and their teams to make adjustments in services and budgets to eliminate state funded services from Treatment Plans for Innovations consumers. Some of this activity is already in process. We will allow reasonable time frames for these changes to be implemented, especially if this involves changes in residential services. However, it is important for providers to begin to make these changes in services for consumers as soon as revised plans are approved. Former consumers of the Thomas S program will have their Treatment Plans reviewed as these come due. *There will not be an expedited review of former Thomas S consumer plans.*

The impact of **Medicaid Service changes** will be significant, although not immediate. Because we know that Community Support is ending on June 30, 2010, we are working with providers to transition consumers to alternate services as clinically appropriate. However, because Community

Support is still in the state plan, it is an entitlement, and under our waiver, we must provide the service if it is medically necessary. The same is true for child residential services. PBH already has utilization management processes in place and our utilization of Community Support as well as Child Residential services is not high. We will continue to authorize both of these services as medically necessary for as long as the service is in the state plan. For children, the Early Periodic Screening Diagnosis and Treatment (EPSDT) requirements remain in place.

Consolidation of Case Management Services is another requirement that the General Assembly established in the budget bill. A committee sponsored by the Division of Medical Assistance has been studying this matter and has come out with a preliminary proposal. This proposal reinforces the care management role that the LMEs have for consumers with mental health, developmental disabilities, and substance abuse services, and the care management role that the Community Care of North Carolina (CCNC) has for physical health care. We expect to be working closely with the Community Care Networks that cover our counties to implement this new model, because the plan calls for a high level of collaboration between the two entities. This new model is not expected to impact our Administrative Case Management for Innovations Waiver recipients, because this is defined in our waiver. The **State Medicaid Plan** is likely to be modified to reflect the new case management model as well as ending Community Support. However, it is not yet clear how case management will be delivered for consumers with mental health and substance abuse conditions. We also do not know the requirements for case management for consumers with developmental disabilities that are not enrolled in the Innovations waiver. The documents related to the study of case management are posted on the **DMA website** under *Budget Initiatives*. (www.dhhs.state.nc.us/dma). Documents related to the replacement of the Community Support Service definition and the plan for Residential Services are also available on the same site. We expect to have more information on this plan in the near future.

The following chart defines current options for consumers that transition out of Community Support:



Impact of the Medicaid Service changes on PBH management activities: We are working hard to make adjustments that are required to manage these system changes. We are currently collecting information from providers on available capacity to provide services such as Peer Support, Supported Employment (MH-SA), Individual Support, Intensive Outpatient treatment for children and families, and other services that are alternatives for people leaving the Community Support service that need continued treatment. Our Utilization Management Department will be staffing cases with providers to plan the transition of consumers leaving the Community Support service. **We want consumer transitions to be smooth. There is no need for abrupt changes to services.** We understand that it will take some time for providers to build up capacity for other services, and we can allow for this to some extent, but it is also imperative that providers begin *now* to make the necessary changes in the service array offered. Our Network Operations Department will be working with providers on capacity issues and is assessing current and future provider capacity for alternative services. If we do not have available capacity, we will recruit additional providers.

Summary:

The reductions to state and Medicaid services are unprecedented and these will significantly impact the availability of services across North Carolina for citizens needing services for mental health, developmental disabilities, and substance abuse conditions. Our goal at PBH is to achieve the least impact possible on our local system of care and decisions were made with that goal in mind. We will be working with our provider partners and community stakeholders to achieve this goal. We have had to move quickly to develop this plan because the first quarter of the year has already passed. Our implementation activities will begin immediately.

We want to thank the PBH Consumer Family Advisory Committee and the PBH Board of Directors for their input into this plan and for their ongoing concern for the people that we serve.