

REQUEST FOR BOARD ACTION / CONTRACT CONTROL FORM

Tracking Number: _____ /

Date of Request: March 28, 2008

Date Request Received: March 28, 2008

Board Meeting Date Requested: April 7, 2008

Board Meeting Date Assigned: April 7, 2008

Short Title: Update On Southeastern Center For Metnal Health, Developmental Disabilities, & Substance Abuse Services Fiscal Action: Dr. Art Costantini.

- Request Status:**
- Request is proceeding to Board of Commissioners
 - More information is needed – see attached
 - Request on hold – no further information needed
 - Other:

Background: As a result of the attached letter from North Carolina Department of Health and Human Services, Dr. Costantini has requested to address the Board and give them an update as to the fiscal action he is taking.

(Administrative Use Only)

Specific Action Requested: Receive the update.

Requested by: Al Greene
Department: Interim County Manager
Title:
Contact Phone: 910-259-1200
Contact Fax:

CONTRACT TYPE

- Renewal
- For Service(s)
- Intergovernmental – County as Grantee
 - Federal Grantor
 - State Grantor
 - Grant or
- County as Grantor
 - County Funds
 - Other Funds:
- Revision
- For Equipment

PURCHASING Budgeted Item: Yes No
Date Rec'd: Reviewed and Approved
 Comments on Reverse

Date Sent: Signed:

ATTORNEY Reviewed and Approved
Date Rec'd: Legal Problem(s)
 Comments on Reverse

Date Sent: Signed:

FINANCE Sufficient Funds Available
Date Rec'd: Not Available
 Budget Amendment Necessary
 Budgeted Amendment is Attached
 Comments on Reverse

Date Sent: Signed:

CLERK Signature(s) Required:
 Board Chairman/County Manager
 Other:

Date Rec'd Approved by Board: Yes No
At meeting on



North Carolina Department of Health and Human Services

2001 Mail Service Center • Raleigh, North Carolina 27699-2001

Tel 919-733-4534 • Fax 919-715-4645

Michael F. Easley, Governor

Dempsey Benton, Secretary

March 13, 2008

Arthur F. Costantini, Ph.D., Director
Southeastern Center for Mental Health, Developmental Disabilities,
and Substance Abuse Services
P. O. Box 4147
Wilmington, NC 28406

Dear Dr. Costantini:

It has been brought to my attention that the Southeastern Center for Mental Health, Developmental Disabilities, and Substance Abuse Services (Southeastern) is experiencing significant financial difficulties this year. I have been informed that Southeastern has over-obligated service resources during the current fiscal year and is drastically restricting access to services as a result.

In accordance with the authority and responsibilities of the Department of Health and Human Services (DHHS) set forth in statute (G. S. 115.4, 122C-124.1, G. S. 122C-125) and administrative rule (10A NCAC 27A.0114), this communication serves as official notification to leadership of Southeastern and the Boards of Commissioners of the counties served by the Local Management Entity (LME) that DHHS has determined that the current financial situation puts Southeastern at imminent risk of financial failure and failure to provide adequate services. If a solution to these problems cannot be implemented in short order, DHHS will have no choice but to take action to ensure continued access to services by consumers. Such actions may include assumption of financial control by the Department, appointment of an administrator, and other actions having the effect of divesting the area authority of its powers to adopt budgets, expend funds, and all other financial powers conferred by law.

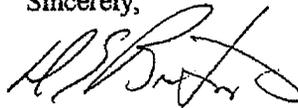


Arthur F. Costantini, Ph.D., Director
March 13, 2008
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We would not lightly take these actions. It is our intent to work with Southeastern to develop and implement an appropriate plan to resolve its financial challenges and stabilize services to consumers. I understand that Marie Kelley and Cathy Macemore of the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (DMH/DD/SAS) have already offered to assist Southeastern in these efforts. I am requesting that you work with these individuals to develop a plan designed to address the current funding shortfall and ensure that the problem does not recur. The plan should include proposed changes to Southeastern's service authorization and contracting processes, as well as any other clinical or administrative actions that you believe will address the problems on a short- and long-term basis. After consultation with the Board of Directors, the plan must be submitted to Leza Wainwright, co-director of DMH/DD/SAS, for review by March 28, 2008.

Please contact Ms. Kelley or Ms. Macemore if you have questions.

Sincerely,



Dempsey Benton

cc: Janice M. Nichols, Chair, Southeastern Board of Directors
David R. Sandifer, Chair, Brunswick County Board of Commissioners
Robert G. Greer, Chair, New Hanover County Board of Commissioners
J. David Williams, Chair, Pender County Board of Commissioners
Michael Lancaster, M.D.
Leza Wainwright
Dick Oliver
Marie Kelley
Wanda Mitchell
Phillip Hoffman
Cathy Macemore

Southeastern Center
For
Mental Health, Developmental Disabilities, & Substance Abuse Services
Serving Brunswick, New Hanover, & Pender Counties

2023 South 17th Street, Post Office Box 4147, Wilmington, NC 28406
(910) 251-6440, Fax (910) 251-6557, 1-800-293-6440

Arthur F. Costantini, Ph.D.
Area Director

March 17, 2008

Secretary Dempsey Benton
North Carolina Department of Health and Human Services
2001 Mail Service Center
Raleigh, North Carolina 27699-2001

Dear Secretary Benton,

I am in receipt of your letter dated March 13, 2008 advising us that Southeastern Center's current financial situation appears to put us at imminent risk of financial failure and failure to provide adequate services.

Please let me assure you that we will comply with all of the instructions in your letter and that we take this situation very serious. Action is being taken to resolve the situation with the welfare of the consumers at the center of our planning process. Also, I want you to know that this situation is not typical for Southeastern Center. We have had the same Area Director and Finance Officer for thirteen (13) years and throughout the thirteen years we have had a balanced budget, significant fund balance, and full compliance with generally accepted accounting principles as evidenced by our independent audit.

This year is truly an anomaly because of an unforeseen sequence of events that is an embarrassment to us and is totally regrettable. We are looking forward to continuing our work with Cathy Macemore, Marie Kelley, and Leza Wainwright on implementing a plan for this year and future years to insure that this does not happen again.

Sincerely,



Arthur F. Costantini, Ph.D.
Area Director

AFC/gp

Cc: Fred Blankenhorn, Area Board Chair
David R. Sandifer, Chair, Brunswick County Board of Commissioners
Robert G. Greer, Chair, New Hanover County Board of Commissioners
✓ J. David Williams, Chair, Pender County Board of Commissioners
Leza Wainwright

***Southeastern Center
For
Mental Health, Developmental Disabilities, & Substance Abuse Services
Serving Brunswick, New Hanover, & Pender Counties***

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Arthur F. Costantini, Ph.D.
Area Director

March 27, 2008

Leza Wainwright, Co-Director
NC DHHS/MH/DD/SAS
3001 Mail Service Center
Raleigh, North Carolina 27699-3001

Dear Leza,

Attached is a copy of the "Plan" requested of Southeastern Center (SEC) in Secretary Benton's letter of March 13, 2008. In the attached plan, I have attempted to address the following:

- The issue,
- How SEC got into the issue,
- What we are doing to resolve the issue,
 - a. Managing authorizations for new services and services submitted for re-authorization.
 - b. Managing the budget on a monthly basis for this year and for future years. Tying authorizations to encumbrances, to the provision of services and timely billing.
 - c. Management of the payment for services authorized and delivered through the 2007-2008 year.

We are implementing procedures to manage the issues involved, that consumers in our three (3) county catchment area are receiving medically necessary services, and that providers will be paid for services provided and billed appropriately. We do not believe that SEC is "at imminent risk of financial failure and failure to provide adequate services".

I sincerely appreciate your assistance with this matter and I look forward to hearing from you concerning any questions or suggestions that you may have regarding the enclosed plan.

Sincerely,



Arthur F. Costantini, Ph.D.
Area Director

AFC/gp

Enclosure

Cc: Secretary Dempsey Benton
SEC Area Board Members
Marty Lawing, Brunswick County Mgr.
Bruce Shell, New Hanover County Mgr.
✓Al Greene, Acting Pender County Mgr.

**Southeastern Center Plan
March 28, 2008**

THE ISSUE

- SEC received \$8,494,016 in IPRS funds to purchase services from providers over a twelve month period; July 1, 2007 through June 30, 2008.
- At the end of January 2008, SEC staff discovered they had drawn down approximately \$6.5 million (77%) of its annualized allocation.
- With approximately five (5) months of billing left in the year and an average draw down of \$1,000,000 per month, SEC projected being short about \$5 million if changes were not made.

HOW DID THIS HAPPEN?

- SEC is in the process of implementing a new computer system (NetSmart). With the NetSmart system we were not able to tie authorizations with encumbrances.
- SEC has a statement in its contract with providers that states, "Providers shall submit an invoice to the LME within 60 days of the date of service or sooner if required by IPRS timely filing deadline". Providers did not submit bills within 60 days because they were in the process of getting acclimated to the system also. Their low billings in the early months; July, August, September, did not indicate a problem, (see **Attachment 1** - bar graph). Delayed billings masked the problem.
- SEC is one of the fastest growing LMEs in the state, (population in catchment area). SEC processes approximately 700 potential clients per month through STR, and increased the number of clients seen by 23.4%, and the number of units of services processed by 48% over the past year.
- SEC's 2007-08 budget was reduced by \$2.3 million; these were unspent funds in the 2006-07 year. Thus, SEC had a decreased allocation while experiencing an increase in consumers and units of service provided.

WHAT WE ARE DOING TO RESOLVE THE ISSUE?

- It became clear to SEC that three (3) things had to be done.
 1. Manage the amount of services being authorized,
 2. Manage the budget and tie authorizations to encumbrances to timely billing and to manage that system on a continuous basis and,
 3. Identify funds that would cover 3 to 5 million dollars in possible billings.

1. Managing Services

In early February 2008, SEC began to manage the services being authorized. SEC staff met with CFAC, provider agencies, consumer groups, and advocacy groups to explain the changes that were taking place in the authorization process. Up until February 2008, the number of units of service "requested", (typically the maximum allowed), were authorized and generally provided and billed. In February 2008, new referrals and re-authorizations of units are described in **Attachment 2**. Attachment 2 describes the procedures SEC has adopted to prudently manage the authorizations for services.

Managing Services (Cont'd)

Mental Health and Substance Abuse Services

This document is posted on SEC's website (www.secmh.org), and is updated as changes occur. All potential mental health and substance abuse consumers who call the STR/Access line are triaged by a licensed clinician for potential referral to community support services or another service as appropriate for a clinical home. If not in need of such an enhanced service at that time then a referral is made to a community based service or resource such as one of the local sliding fee scale clinics, and/or clinicians, and appropriate support groups. The STR/Access clinician follows up with these referrals to assess whether or not a need for community support service referral should develop.

Consumers who are referred to community support are authorized for an initial package of 16 units of Community Support Professional, one clinical assessment and one physician visit for the first 30 days. Anything beyond this must be requested in a separate authorization.

On submission of a Person Centered Plan consumers who meet medical necessity may receive a 90 day authorization of up to 416 units (8 hours per week) of Community Support. Anything beyond this must be requested in a separate authorization.

Reauthorization of an additional 90 days of Community Support Service will require submission of a revised Person Centered Plan (PCP) and treatment records for review. This request for continued treatment must be reviewed and approved by a clinical review team chaired by the SEC Clinical or Medical Director.

If requested and supported by the PCP, individual therapy sessions will be authorized up to eight (8) visits for adults and twelve (12) visits for child and youth for the fiscal year. Group therapy will be authorized up to sixteen (16) units (4 hours) per month for the fiscal year. Physician visits will be authorized up to six (6) visits for the fiscal year. Anything in addition must be requested in a separate authorization.

Developmental Disabilities Services

All potential developmental disabilities consumers who call the STR/Access line are triaged by a licensed clinician and appropriate referral is made to targeted case management services. The initial authorization package consists of 16 units of Targeted Case Management, one clinical assessment, and one physician visit for a 30 day period. Anything beyond this must be requested in a separate authorization.

On submission of a Person Centered Plan consumers who meet medical necessity may receive a 60 day authorization of up to 50 units of targeted case management. Developmental therapy may be authorized if eligible and meets medical necessity for up to 504 units (14 hours per week) for 60 days. Personal Assistance may be authorized for up to 520 units (10 hours per week) for 60 days.

Community Respite will be up to 312 units (6 hours per week) for 30 days. Physician visits will be authorized up to six (6) visits for the fiscal year. Any other services may be requested as supported by the PCP and will be subject to a clinical review process.

Managing Services (Cont'd)

Developmental Disabilities Services (Cont'd)

At the current time the DD funding designated for ADAMI target population is totally encumbered with existing consumers on a unique rate for supported living. Any new consumers for this service must be reviewed in a clinical prioritization committee chaired by the LME DD Specialist. Existing consumers' unique rates will be reviewed quarterly.

Consumers on the CAP/MRDD waiver who request IPRS funded services will be reviewed in the clinical review process to ascertain if there are waiver services that can be utilized instead of state funded services. The stacking of IPRS funded services onto CAP services will be reviewed per individual to determine necessity based upon the intensity of their needs and as state dollars are available (as per Communication Bulletin 75).

2. Managing the Budget

SEC clearly understands the need to manage the budget. SEC staff met with Marie Kelley and Cathy Macemore on 2 occasions to develop a workable system. SEC is in the process of developing a system that ties authorizations to a grid of services based on allocations, ties encumbrances to authorizations and timely billing to encumbrances. SEC has spoken to providers about the need to bill within sixty (60) days of services and has had them sign a statement that they have been informed of the need to submit clean claims within 60 days. **Attachment 3** is a more detailed plan and procedure being implemented to insure the budget is monitored and managed.

3. Funding for the Remainder of the Year

The third thing that SEC needs to do is to identify funds for the purchase of services from February 2008 through June 2008. Based on an average draw down of approximately 1 million dollars per month, from July through January, SEC could anticipate the draw down to be at least \$1 million per month, or \$5 million for February through June. The actual amount of IPRS funds needed for the remaining 5 months is difficult to estimate because of the following variables.

- The actual amount of services authorized and provided but not yet billed is unknown. We are working on this with all providers.
- We have met with providers and many providers have agreed to voluntarily reduce the services provided to a medically necessary amount as opposed to the maximum provided.
- We are reducing the number of services authorized as described in Attachment 2.
- Since consumers were being added on a monthly basis, the number of consumers and units of service delivered is actually higher in the last 5 months than it was in the first 7 months.

In order to continue services for the 5 months of February through June, our best estimate of needed funds is \$3 to \$4 million. We believe the services delivered due to increased numbers of consumers in the system will be offset by SEC's efforts to manage the authorization of services based on medical necessity.

SEC has approximately \$3.3 million in unrestricted fund balance as noted in our June 30, 2007 independent audit. SEC has year to date revenues over expenditures of \$1,375,676.00, (see Attachment 4). In addition, SEC is anticipating the release of \$1,365,680 non-UCR reimbursement for expenditures reflected in the FSR reports for December 2007, January 2008, and February 2008, (see Attachment 5).

Also, SEC is hopeful that the Division would reallocate all or at least some portion of the \$2.3 million that was removed from its budget this year. It is our understanding that there are available funds that are not being drawn down by other LMEs and that the Division can redistribute those funds.