

With some of the most expensive health care in the country, North Carolina has failed to address the needs of people who live with mental illness and addiction

When the state privatized mental health services in 2011, “dubious agencies” were allowed to profit off of people who live with mental illnesses. N.C. was one of only three states to cut its mental health budget between 2013 and 2015, resulting in huge losses. The 2015 Republican budget cut \$110M from regional mental health services, further limiting the ability to expand and improve services. The same 2015 budget added more hospital beds for the mentally ill instead of expanding community-based mental health.

Companies like the embattled Cardinal Healthcare Innovations lobbied the NCGA to adopt the managed care model. Managed care makes it more difficult for people to get care and only serves Medicaid recipients in a state that refused to expand access to the program.

Under the Republican legislature’s watch, North Carolina has become the third most expensive state for health care in the country. Their refusal to expand access to health care has made health care more expensive for everyone.

North Carolina has failed to address the needs of its citizens

Four N.C. cities are in the top 20 nationally for opiate abuse. “Four of our cities are in the top 20 nationally for opiate abuse, our prisons hold more people with mental illness than treatment facilities, suicides are increasing, the wait time for an urgent admission to a state psychiatric hospital is over five days and in 2012 the United States Department of Justice sued the state for not providing adequate housing for people with mental illness.” (News & Observer, Op-Ed, [3/20/17](#))

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Urgent admission to a state psychiatric hospital requires a five-day wait. “Four of our cities are in the top 20 nationally for opiate abuse, our prisons hold more people with mental illness than treatment facilities, suicides are increasing, the wait time for an urgent admission to a state psychiatric hospital is over five days and in 2012 the United States Department of Justice sued the state for not providing adequate housing for people with mental illness.” (News & Observer, Op-Ed, [3/20/17](#))

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When the state privatized mental health services in 2011, “dubious agencies” were allowed to profit off of people who live with mental illnesses

Regional health agencies were set up as managed care organizations under a 2011 law. “The regional health agencies were set up as managed care organizations in a 2011 law. The premise was that they would receive a set amount of money, and savings that came from efficient management would be plowed back into local service improvements. Instead, the budget calls for the agencies to spend some of their savings to maintain, rather than improve, services.” (News & Observer, [9/20/15](#))

N.C.'s community mental health system once had brick-and-mortar buildings which served anyone who needed help as part of one public health system. "North Carolina had a good community mental health system, built in the 1970s and 1980s as a product of a progressive movement in the state. Every county had its own mental health center, or joined forces with neighboring counties. Brick and mortar buildings served anyone who needed help. The community mental health centers were part of one public mental health system. They could share information with each other and with the state psychiatric hospitals and UNC Hospitals." (News & Observer, Op-Ed, [12/13/17](#))

As this system was dismantled, private providers found they could make money off of people who live with severe mental illnesses. "As the reform plan rolled out in the mid-2000s, area mental health centers had to dismantle their programs or find private companies to take them over. That was the moment the system shattered. Private providers sprang up and found they could make money – through fraud. The News & Observer ran a series exposing this fraud. In response, the N.C. General Assembly eliminated a key service that had been designed to support people who live with severe mental illness – community support – but had been abused as a cash cow for agencies serving anyone with Medicaid, especially youth." (News & Observer, Op-Ed, [12/13/17](#))

N.C.'s decision to privatize mental health services allowed "dubious agencies" to bill more than \$400 million for an unacceptable level of care. "In North Carolina, it's even worse. In the mid-2000s, the state privatized many of its mental health services and unintentionally allowed dubious agencies to bill more than \$400 million for unacceptable care. From 2013-2015, we were one of only three states to reduce mental health funds each year, and over the past few years, North Carolina has decreased support for mental health by hundreds of millions of dollars." (News & Observer, Op-Ed, [3/20/17](#))

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Between 2013 and 2015, N.C. was one of three states to cut its budget for mental health services each year, resulting in a decrease by hundreds of millions of dollars. "In North Carolina, it's even worse. In the mid-2000s, the state privatized many of its mental health services and unintentionally allowed dubious agencies to bill more than \$400 million for unacceptable care. From 2013-2015, we were one of only three states to reduce mental health funds each year, and over the past few years, North Carolina has decreased support for mental health by hundreds of millions of dollars." (News & Observer, Op-Ed, [3/20/17](#))

The 2015 Republican budget cut \$110M from regional mental health services, further limiting the ability to expand and improve services

N.C. regional mental health agencies absorbed a "financial hit" of \$110 million budget reduction. "The state's eight regional mental health agencies must absorb a financial hit in the form of a \$110 million budget reduction that state legislators told them to fill with money from their savings. The cuts make it less likely that patients relying on government-funded mental health treatment will see new or expanded programs to handle the existing strain on services." (News & Observer, [9/20/15](#); H97, Signed by Gov. on [9/18/15](#))

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Regional health agencies were told if there were savings from “efficient management,” the money “would be plowed back into local service improvements.” “The regional health agencies were set up as managed care organizations in a 2011 law. The premise was that they would receive a set amount of money, and savings that came from efficient management would be plowed back into local service improvements. Instead, the budget calls for the agencies to spend some of their savings to maintain, rather than improve, services.” (News & Observer, [9/20/15](#))

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Budget forced agencies to spend savings to “maintain, rather than improve, services.” “The regional health agencies were set up as managed care organizations in a 2011 law. The premise was that they would receive a set amount of money, and savings that came from efficient management would be plowed back into local service improvements. Instead, the budget calls for the agencies to spend some of their savings to maintain, rather than improve, services.” (News & Observer, [9/20/15](#); H97, Signed by Gov. on [9/18/15](#))

- **Mental Health advocacy group director: Spending savings “to fill a budget hole” is a “big concern.”** “Telling the agencies to spend their savings to fill a budget hole ‘is a big concern for us,’ said Jack Register, executive director of NAMI-NC, a mental health advocacy group. ‘It’s going to be huge,’ Register said. ‘The whole reason why they had reserves was to be innovative.’” (News & Observer, [9/20/15](#))

Regional mental health agencies used money for counseling, mobile crisis, and “programs specifically for children.” “The mental health agencies spend Medicaid, state and county money to purchase mental health treatment for patients. The money pays for services such as counseling, mobile crisis, and programs specifically for children, such as therapeutic foster care.” (News & Observer, [9/20/15](#))

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The 2015 budget sought the addition of 150 hospital beds for mentally ill patients “needing short-term treatment,” using a portion of money from the sale of Dix property. “The budget looks to add 150 hospital beds for mentally ill patients needing short-term treatment using a portion of the money from the sale of the Dorothea Dix hospital property. The state sold the land to Raleigh for \$52 million last spring. The budget puts about \$50 million from the sale into a Dorothea Dix Hospital Property Fund. The state Department of Health and Human Services must come up with a plan by April 1 to spend up to \$25 million from the fund to produce 150 new mental health inpatient beds scattered throughout the state.” (News & Observer, [9/20/15](#); H97, Signed by Gov. on [9/18/15](#))

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Mental health advocacy director: Rather than more inpatient beds, commission should have been established to consider ways to “expand community-based mental health.” “The plan for new beds may include conversion of unused hospital beds to construction of new facilities. The cost of ongoing operations is not addressed in the budget. Malone said the intent to provide more space in hospitals is in line with Dix’s principles. Dix was a crusader and the prime force behind the creation of the Raleigh psychiatric hospital, which opened in 1856. The last patients left the campus in 2012. Register said that instead of looking to create more inpatient beds, a commission should have been established to consider ways to use the Dix money to expand community-based mental health services.” (News & Observer, [9/20/15](#))

Companies like the embattled Cardinal Healthcare Innovations lobbied the NCGA to adopt the managed care model

Managed care organizations like Cardinal Healthcare Innovations lobbied the NCGA to adopt a managed care model. “Piedmont Behavioral Health had piloted managed care in a central region of the state and lobbied the General Assembly to adopt its model for statewide expansion. State leaders enthusiastically embraced the model but neglected to set the guidelines and controls needed to ensure good stewardship of public funds. PBH became Cardinal Innovations Healthcare Solutions and set out to become the biggest and most powerful behavioral health managed care organization in the state, taking over smaller MCOs and amassing large financial reserves. These savings were supposed to be reinvested in innovative new services. Cardinal Innovations followed a corporate model – requiring its employees to sign nondisclosure agreements and offering high salaries to executives. It invested in marketing campaigns, a new building for its headquarters, lavish parties and explored new lines of business.” (News & Observer, Op-Ed, [12/13/17](#))

Managed care makes it more difficult for people to get care and only serves Medicaid recipients in a state that refused to expand access to the program

Managed care organizations only serve Medicaid recipients in a state that refused to expand access to Medicaid. “Unlike the community mental health system, which served all comers, the new system is only for Medicaid recipients, with paltry funding for those with no insurance. It’s not easy to get Medicaid, especially in a state that did not accept the expansion under the Affordable Care Act. Many with great need are left out entirely.” (News & Observer, Op-Ed, [12/13/17](#))

Managed care makes it more difficult to get care by setting up “hoops” that resulted in decline in salary and job losses for clinical providers. “Here’s what managed care does: It makes it harder to get care. It sets up hoops for providers to jump through, first to become a provider in a closed network, and then to complete the paperwork needed to get authorizations for services. Cardinal Innovations wielded considerable power – it controlled the flow of funding to treatment and service providers. Frontline mental health workers – the people who actually deliver mental health care – saw their salaries go down. Many lost benefits and job security. The first workers to be let go in the streamlined private agencies were clinical supervisors – experienced psychologists, clinical social workers and psychotherapists who trained new workers and provided ongoing supervision. The drive for productivity in the private agencies is relentless; it’s the only way to make the business model work.” (News & Observer, Op-Ed, [12/13/17](#))

Instead of addressing the problem with managed care organizations such as Cardinal Healthcare Innovations, the Republican legislature chose to cut community support for North Carolinians who live with mental illness

Instead of addressing the root of the problem, the NCGA eliminated community support for people who live with severe mental illness. “As the reform plan rolled out in the mid-2000s, area

mental health centers had to dismantle their programs or find private companies to take them over. That was the moment the system shattered. Private providers sprang up and found they could make money – through fraud. The News & Observer ran a series exposing this fraud. In response, the N.C. General Assembly eliminated a key service that had been designed to support people who live with severe mental illness – community support – but had been abused as a cash cow for agencies serving anyone with Medicaid, especially youth.” (News & Observer, Op-Ed, [12/13/17](#))

Under the Republican legislature’s watch, North Carolina has become the third most expensive state for health care in the country

North Carolina is the third most expensive state in the country for health care according to a 2017 study. North Carolina was ranked ahead of Wyoming, New York, Vermont and Alaska (tied) for highest average monthly premium. (Wallethub, [8/7/17](#))

North Carolina is ranked 47th in the nation across metrics of cost, accessibility, and outcome. (Wallethub, [8/7/17](#))

Republican’s refusal to expand access to health care has made health care more expensive for everyone

Citing the Wallethub study, Blue Cross Blue Shield NC said N.C.’s lawmakers made two crucial decisions that caused health care costs to rise. “In the last few years, North Carolina’s lawmakers made two crucial decisions that caused healthcare costs to rise. First, the state decided not to expand Medicaid coverage. These folks tend to have more expensive chronic health problems, and the cost of their medical care has [caused insurance premiums for ACA customers](#) in our state to rise.” (BCBSNC, [8/21/17](#))

The decision not to expand Medicaid meant people who would have been covered had to buy insurance through the marketplace instead, causing everyone’s premiums to rise. “In the last few years, North Carolina’s lawmakers made two crucial decisions that caused healthcare costs to rise. First, the state decided not to expand Medicaid coverage. So there are a lot of people in North Carolina’s individual insurance market who might have been covered under Medicaid, but instead, have to purchase insurance through the ACA’s federal marketplace. These folks tend to have more expensive chronic health problems, and the cost of their medical care has [caused insurance premiums for ACA customers](#) in our state to rise.” (BCBSNC, [8/21/17](#))

- **NOTE:** *In 2018, Republicans doubled-down on the decision not to expand Medicaid by using a procedural vote to block it. ([H998](#), [Richardson Amendment](#), motion to appeal the ruling of the chair failed, [6/11/18](#))*

N.C. allowed people to remain on “grandfathered” plans that weren’t compliant with ACA guidelines around preexisting conditions, for example, which caused premiums to rise with sicker people forced to use the marketplace again. “North Carolina was also one of 22 states that decided to allow consumers to remain on grandfathered and transitional insurance policies instead of being required to purchase ACA-compliant plans. People with grandfathered and transitional plans chose to stick with those plans because initially, they were cheaper (there are a number of reasons for this, but the short answer is that grandfathered/transitional customers use less health care and those plans include fewer benefits). With an ACA pool weighted toward sicker people, premiums for ACA plans rise.” (BCBSNC, [8/21/17](#))

- **NOTE:** *Senate Republicans attempted to further dismantle coverage for preexisting conditions in 2018. Real Facts NC explained that move [here](#).*

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