RALEIGH — 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.

The cut will affect the eight offices differently. Rob Robinson, CEO of Alliance Behavioral Healthcare, the office that pays for public mental health services in Wake, Durham, Johnston and Cumberland counties, said he was still figuring out how much his agency will lose but said it can manage for the first year.

“It does put at risk us doing all we want to do if it goes beyond one year,” he said.

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.

The budget, which the legislature passed last week, anticipates holding back another $152 million next year. Legislators will refine next year’s budget next spring, so the $152 million cut is not certain.

The idea for cutting funds to the mental health offices originated in the Senate, which proposed a $185.6 million cut. The state House had proposed a $2 million increase to pay for mental health urgent care. The $110 million cut was the compromise.

Rep. Chris Malone, a Wake Forest Republican and a health budget writer, said the local mental health agencies had substantial reserves, but only a fraction of their money had been committed to specific projects.

“It’s not taking money from them,” Malone said. “It’s not giving them as much.”

If there’s a Medicaid budget surplus next year, DHHS can give the local mental health agencies up to $30 million back.
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.

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.”

Robinson said Alliance had planned to use its reserves to “fill in gaps in the system,” such as providing more crisis services in the four counties and increasing provider rates that are below market rate.

“Based on what I know, we can do some things,” Robinson said. “We can’t do all that we wanted to do.”

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.

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.

Lynn Bonner: 919-829-4821, @Lynn_Bonner
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