

The Benefits of Serving Patients Closer to Home

by Mebane Rash with Greg Billings

A 34-year-old patient was admitted to Catawba Valley Medical Center in Hickory after a 12-hour wait in an emergency department in Western North Carolina—much quicker than the last time he was in crisis. The patient said the care he received at the medical center was better than when he had been sent to Broughton Hospital in Morganton, one of the state’s psychiatric hospitals. Because the waiting lists are so long to get into state psychiatric hospitals, he had previously waited three days in the emergency department before he could be admitted to Broughton. He was so anxious because of the extended wait that he hit staff, was restrained, and given several shots of drugs to calm him down. Being able to get into Catawba Valley Medical Center more quickly alleviated a lot of his stress and decreased the amount of time he needed to get back on track. The patient’s family expressed gratitude for the opportunity to come and speak to the treatment team, an option that had been impossible when he was served at the state hospital. The patient and his family had a higher degree of comfort being served in a community hospital closer to home. He was able to identify with other patients, and his family did not have any concerns about his safety while he was away.

Hospitals had 28 calendar days to submit bills; LMEs had 15 working days to forward clean claims to the state; the state had 60 calendar days to pay; and LMEs had 10 working days to make payment. Holidays or billing problems could extend the timeline (see Figure 3, p. 94).

In the early days of the three-way contracts, the availability of cash to pay the contracts was a primary reason for delays in payments. In many ways, this was a by-product of the national economic recession and the resulting state budget crisis. The state faced a \$4.6 billion budget shortfall (about 22 percent of the state’s 2008–09 budget) as the legislature prepared its 2009–10 budget. The budget was not passed until August 2009, a month after the new fiscal year 2009–10 started on July 1, 2009. The state also slowed all payments—such as tax refunds and these payments to local hospitals for mental health services—as a way to manage its very tight cash flow. State officials were aware of the problem of timeliness of payments to local hospitals. Michael Watson directly acknowledged the problem, and the Division and the DHHS Secretary’s office worked to make these payments a priority. For instance, on January 1, 2010, the payment process was changed to address this issue, with three-way contract payments being taken out of the state’s Integrated Payment and Reporting System (IPRS) and payments being given priority.

Billing lags and slow billings to IPRS continued into 2011. The slow billings were usually a delay in the hospitals giving billing information to the LMEs—perhaps as the hospitals tried to make sure there was no third party insurance or Medicaid coverage which could pay. In response, in February 2011, the Division started asking for weekly bed census information from each local hospital to more accurately project potential utilization of expenditures, according to Kent Woodson, a budget officer in the Division, who now manages the three-way contract program. This continues to be a valuable tool, but delays in payment persist.

For example, one contract went six months without being paid for care provided after July 1, 2011. Most of what was due was received on December 23, 2011. But one month later, more than \$500,000 was pending payment again on this contract.

Several problems remain with the timeliness of contract payments. The contract limits payment: “Division payment for approved inpatient services or approved bed capacity purchases shall be limited to the current fiscal year *availability of Division funds* in the psychiatric inpatient hospital fund reserve.” According to the Division, current payments schedules are developed at the end of each month and dollars are distributed to LMEs based on cash availability.