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OBSERVER EXCLUSIVE

Change mires mental health

Severely ill children languish in backlog after outsourcing

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When North Carolina recently outsourced the task of approving treatment for mentally ill people on Medicaid, the change was supposed to improve efficiency. Instead, it triggered a statewide crisis.

ValueOptions, the private company that took on the job in June, didn't have enough workers and became buried under more treatment requests than expected. Its backlog grew into the thousands.

As a result, some mentally ill children couldn't get critical treatment. Some charged with crimes languished in juvenile detention centers. In Mecklenburg County, one boy ran away from his foster home while waiting for ValueOptions to OK a spot in a group home. A girl in Charlotte attempted suicide while waiting more than a month for in-home treatment.

In July, N.C. Providers Council Executive Director Bob Hedrick e-mailed state officials about a boy who'd been waiting nearly a month for treatment. "The therapist called today stating that the child brought knives with him to his bedroom and slept with them under his pillow. ... He needs services ASAP!"

Dozens of e-mails sent to state officials and obtained by the Observer describe a situation verging on chaos: Companies that provide mental health services couldn't collect Medicaid money without authorizations, so they threatened to stop serving clients. Some therapists hadn't been paid for weeks. A ValueOptions official asked how to respond to providers who showed up in her company's lobby, demanding to be seen.

More than five months after the outsourcing, providers and state officials say the crisis is abating. ValueOptions was originally predicted to save the state millions of dollars a year. Now, state officials don't know what the contract will cost.

N.C. Department of Health and Human Services Secretary Carmen Hooker Odom said she expected some problems with the change, but regrets the chaos. "We're going to get it right," she said.

But critics say the state failed to heed warnings that a tidal wave of authorization requests would swamp the company. The outsourcing coincided with other major mental health system changes, and ValueOptions officials had told the state they didn't know if they could hire new staff fast enough.

"It was like going from zero to 60 in five seconds," said John Tote, head of the Mental Health Association in North Carolina.

"They make these sweeping changes without building any of the infrastructure," said Brett Loftis, executive director of Charlotte's Council for Children's Rights. "And the kids suffer every time."

Effort to standardize

Before N.C. Medicaid recipients can obtain mental health treatments, many must be reviewed and approved by a clinician. The process is similar to reviews that health insurance companies use to decide whether to cover treatments. Until recently, the state's local mental health agencies did most of these reviews for more than 300,000 people on Medicaid.

But in March, Hooker Odom decided that ValueOptions would take over most reviews. The transition would begin in June with children's mental health. To make the change easier, the company would take over approvals for other services on a staggered schedule through the summer.

The state chose the private Virginia-based company because it would use the same rules when reviewing all requests. Federal rules require such standardization, but the state's 30 local mental health agencies, which all operate differently, hadn't achieved it.

Companies that provide mental health services liked the idea, which let them submit treatment requests to a single office.

But the secretary's decision gave ValueOptions only about two months to prepare. When thousands of treatment approval requests for mentally ill children landed in ValueOptions' Durham offices in June, the company was overwhelmed.

"We have submitted dozens of requests, (ValueOptions) loses them, requests resending, does not respond," wrote Charles Davis, N.C. director of The Mentor Network, in an e-mail to state officials in late June. "Whole picture is that they have insufficient staff to handle volume, are stacking things on desks and on floors, and are in gridlock due to everyone in state calling them to follow up on work they cannot do."

Without written approval, providers couldn't start new treatments. In Charlotte, the non-profit Council for Children's Rights heard from callers desperate to get help for mentally ill children. Brett Loftis learned of the boy who ran away from his foster home and the girl who tried to commit suicide from Charlotte's Family Preservation Services. The provider was trying to get their treatments approved.

N.C. District Judge Lou Trosch, who presides over juvenile cases, also began seeing a pattern of treatment delays that left mentally ill children sitting in detention facilities or getting into more trouble while they waited.

When treatment for one defendant wasn't forthcoming, Trosch went to the top to find out why: He subpoenaed Hooker Odom. Because the defendant is a juvenile, Trosch can't discuss the case. But others familiar with the incident say Trosch relented on the subpoena after officials from the state and ValueOptions agreed to meet with providers and advocates for the mentally ill in Charlotte.

By early September, ValueOptions had a backlog of at least 8,000 treatment requests.

As of early November, the company had received more than 150,000 requests -- about 60 percent more than expected, company spokesman Tom Warburton said. A backlog remains, but officials can't say how big it is, because they're weeding out duplicate requests. The company aims to be caught up before year's end, he said.

N.C. officials are now suspending some rules to speed payments. And many providers say they're getting treatment approvals in days or weeks instead of months.

"It's not perfect, but it's getting better," said The Mentor Network's Charles Davis, who e-mailed state officials with complaints in June.

Still, Trosch said he's concerned some children aren't getting treatment they need, especially kids who don't have a judge on their side.

Unexpected volume

ValueOptions wasn't new to North Carolina. The company has contracted with the state since 2001 to authorize Medicaid-funded services, such as psychiatric hospitalization or group home placement. The self-described industry leader in managing the nation's public behavioral health programs, ValueOptions has contracts with governments in 11 states.

But in North Carolina, ValueOptions got an unpleasant surprise: A combination of new treatment services and new approval rules produced more requests than the state expected.

To make matters worse, some mental health providers hadn't attended training on request procedures. Countless requests with errors couldn't be processed.

With hindsight, the state would have moved more slowly and spent more time training mental health providers, said Tara Larson of the Division of Medical Assistance.

ValueOptions will eventually have 200 employees working on N.C. cases, 50 more than first planned. It's still short about 35.

Initially, state officials predicted the ValueOptions three-year contract, estimated at \$8.5 million annually, would save between \$13 million and \$29 million a year.

But because authorization volume is much higher than predicted, costs will be higher. For now, state officials can't say how much higher. Still, they predict the service will cost less than it did when local mental health agencies approved treatments.

State falls short

Even the state's worst critics concede that transforming North Carolina's mental health system is incredibly complex. Currently, 44 states are tackling some sort of mental health reform, and some are having more problems than North Carolina, says Tote, of the nonprofit Mental Health Association of North Carolina. But advocates for the mentally ill say state officials should have anticipated serious problems. "They didn't plan ahead," said Frank Edwards, president-elect of Wake County's National Alliance on Mental Illness.

Said Mecklenburg Consumer and Family Advisory Committee Chair Sandy DuPuy: "They absolutely wouldn't slow down. We just kept saying, please, please. Can you wait a little bit?"

N.C. Rep. Verla Insko, from Orange County, co-chair of the legislative committee that oversees mental health reform, is also frustrated. She realizes now, she said, that neither state mental health officials nor her committee members asked the right questions to head off problems.

"I think the (mental health) division and the oversight committee both fell short," she said.

Said Tote: "The state of North Carolina can do better."

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Resources for the Mentally III

- **Mecklenburg's Area Mental Health Information Line** provides referrals to agencies serving adults and children with mental health, substance abuse or developmental disability concerns, 704-336-6404 or toll free 1-877-700-3001, www.charmeck.org/Departments/Area+Mental+Health/For+Consumers/Home.htm.

MECKLENBURG CRISIS SERVICES

- **Behavioral Health Center - Carolinas Medical Center Randolph**, 501 Billingsley Road, offers psychiatric emergency care and crisis stabilization. 704-444-2400 or toll free 1-800-418-2065.
- **Mobile Crisis Team**, offers 24-hour assistance at a home or community location for anyone experiencing a mental health crisis. 704-566-3410.

ADVOCACY AND SUPPORT SERVICES

- **Council for Children's Rights** advocates for children and families to overcome barriers to needed services, 704-372-7961, www.councilforchildreninc.org.
- **Exceptional Children's Assistance Center** offers information and training for families, particularly on school issues, 704-892-1321. www.ecac-parentcenter.org
- **ParentVoice** offers support and training for parents and caregivers of children with serious emotional, behavioral or mental health issues, 704-336-7128. www.supportworks.org/cat761.htm.

Fixing a Broken System

Five years ago, the N.C. legislature approved a mental health reform plan to fix a system widely seen as broken. The plan called for more community-based services, so people didn't have to stay in institutions. To encourage competition and create choices, private companies would offer services.

Public mental health agencies would mostly get out of the service-providing business and instead manage services. They'd monitor providers and ensure that people with mental illness, developmental disabilities or addictions got needed treatments. The agencies would also approve those treatments.

By 2006, plans were shifting. State officials saw that some public mental health agencies were doing a lousy job of approving treatments.

In March, state officials concluded that no agency met the standards needed to review treatments. In early April, Hooker Odom told ValueOptions that it would be the state's single vendor.

The decision took nearly everyone, including ValueOptions, by surprise.

Grayce Crockett, director of Mecklenburg's mental health agency, called the decision "an abrupt change in strategy." N.C. Rep. Verla Insko, co-chair of the legislative committee that oversees mental health, described it as "a huge shock."

Some mental health agency directors dispute the state's findings. Mecklenburg could have done a good job on treatment approvals, Crockett said.

She and other mental health advocates argue that by outsourcing treatment review, the state is setting up area mental health agencies for failure: Agencies can't effectively manage the system if they aren't reviewing treatments.

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