



# Carolinus HealthCare System

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and Board of Advisors*

May 3, 2011

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Chief Executive Officer*

**Commissioner Vilma Leake  
Charlotte Mecklenburg Government Center  
600 East 4th Street  
Charlotte, North Carolina 28202**

**Dear Commissioner Leake:**

Thank you for the opportunity to meet with your Health and Community Support Committee concerning the critical need for more inpatient psychiatric beds and related services. I have attached a few key slides that were a part of the presentation. Feel free to contact me directly if you have any questions.

Based on the comments reported in the local paper, it appears I may not have made it clear that we have made several alternative proposals to address any concerns that might exist regarding the potential, however remote, that the opening of the proposed facility might negatively affect the County's deficit funding obligation at CMC-Randolph. This question was initially raised by County staff in early March of this year, and we have repeatedly committed to ensure that the proposed facility will function in a complementary fashion and not increase funding by the County or otherwise expand the County's responsibilities. Let me elaborate on this.

First and foremost, we take the relationship with Mecklenburg County very seriously, and over the twenty-five years of managing CMC-Randolph for the County, we have always and will always in the future do the right thing for the parties involved. For instance, as I discussed April 19th, in the late 1980's we closed beds at CMC and moved the CMC inpatient psychiatric service (which at the time was predominately insured and Medicare patients compared to the County's indigent population) to CMC-Randolph. This action resulted in three key improvements:

1. Moved operating margin of the insured patients from CHS to Mecklenburg County allowing the County funding to be below 1986 levels for 11 out of the first 12 years of the contract.
2. Allowed us to appeal to NC Medicaid and Medicare rates to get higher psychiatric rates for CMC-Randolph.
3. Improved the quality of care at CMC-Randolph by raising the standard of care.

Second, when this issue of potential impact was first raised by Michelle Lancaster, we provided the following recommended solution to her on March 8, 2011.

Vilma Leake

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"CHS agrees to the freezing of deficit funding by Mecklenburg County for CMC-Randolph, (previously the Mecklenburg County Mental Health Center), during the initial full or partial year and subsequent 2 years after the new 44 psychiatric beds are put into service. During this initial freeze period, CHS and the County will work together to agree to a method to determine if the operation of the new 44 psychiatric beds has had a detrimental financial impact to the net deficits funded by Mecklenburg County at CMC-Randolph, as currently defined. Once a calculation method is agreed to, any detrimental impact after the initial 3 years will be paid to the County by CHS. Any increased deficits during the initial 3 year period above the year prior to the opening year will be totally absorbed by CHS."

Third, as we were working with the County staff on the overall relationship, we suggested another option on April 4, 2011, as follows:

"For Mental Health we are proposing a limit to County obligation for funding of future deficit increases by limiting the County's exposure to the 2011 level of \$22.4 million plus the medical care services CPI for the 12 months ended the previous December 31."

We strongly believe that both of the options proposed should make it clear that we do not want to solve one problem, that is, the need for more inpatient psychiatric beds, and create a potential County concern related to the funding of CMC-Randolph deficits. The fact is that we do not know what the impact may be to CMC-Randolph, but are willing to hold the County harmless regarding any direct negative impact.

If there are any other concerns on the part of the Committee, please let me know. Our desire is not to delay any longer the planning, design, construction and operation of the new \$24.5 million facility, and the 100+ new jobs that will accompany it, but do want to expedite bringing these much needed inpatient psychiatric beds online.

Best regards,




Michael C. Tarwater  
Chief Executive Officer

MCT/pb

**Attachments**

cc: Commissioner Bill James  
Commissioner Karen Bentley  
Commissioner Harold Cogdell  
Commissioner Jennifer Roberts  
Harry L. Jones  
Michelle Lancaster-Sandlin  
Joseph G. Piemont, CHS



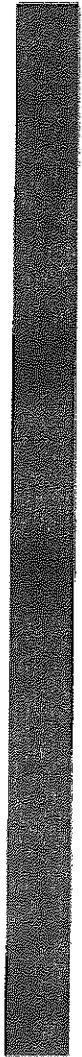
**Carolinas HealthCare System**  
Mecklenburg County Board of Commissioners  
Health & Community Support Committee

Inpatient Behavioral Health Services  
Tuesday, April 19, 2011



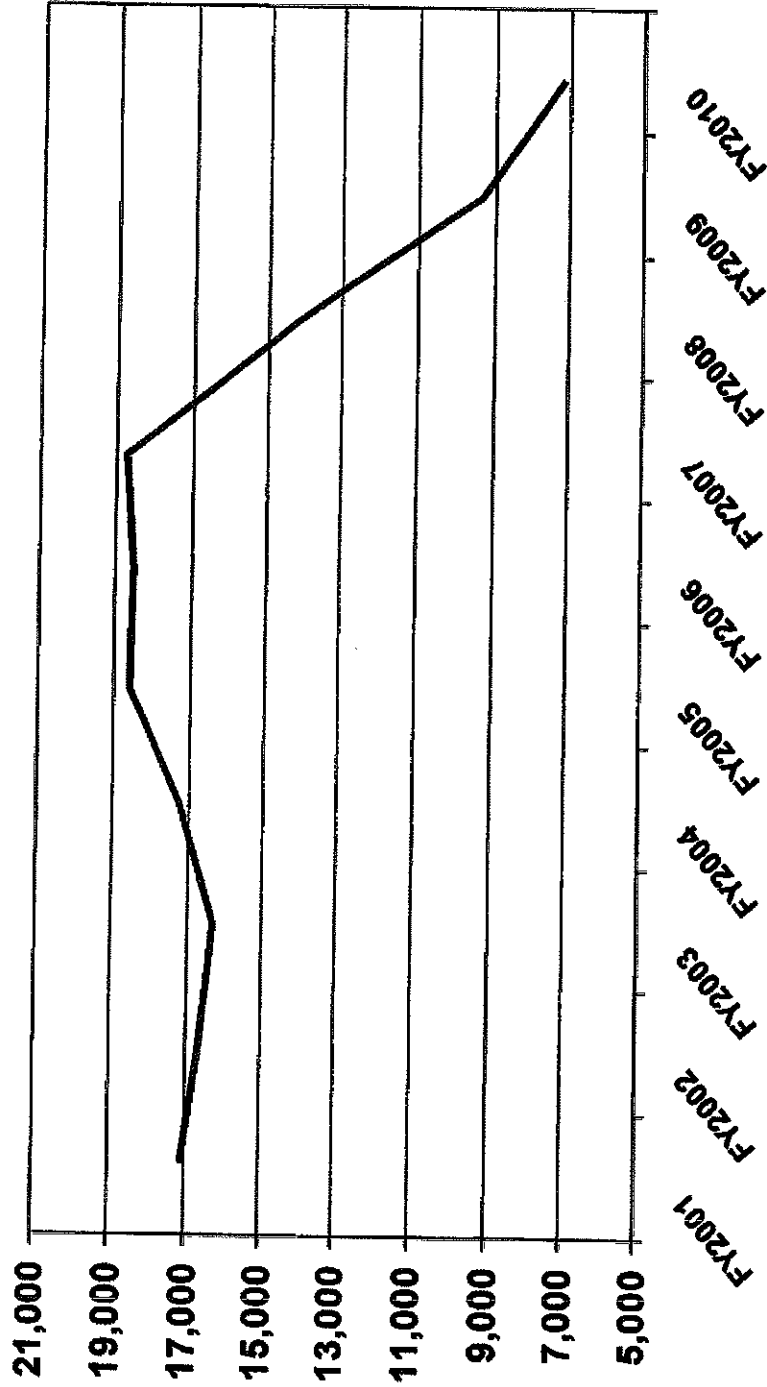
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# Declining service to those in need . . .

## N.C. Psychiatric Hospitals Persons Served FY2001 thru FY2010



Note: Persons served at the four Psychiatric Hospitals. Excludes outpatients and visiting patients.

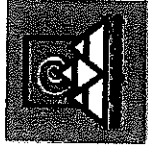


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Source: North Carolina Psychiatric Hospitals, Annual Statistical Report (Fiscal Year 2010)

# **New Heights Group Report Related to Bed Need**

- ❑ The future Mecklenburg County demand for inpatient psychiatric beds will range from 144-172 by 2015, depending on the scenario.
- ❑ The baseline scenario is considered the most likely scenario, given the challenge of expanding outpatient and community support services over the next five years to the extent that readmissions or length of stay would decrease. Many state and local services needed to support Scenarios 1-3 have recently been cut, and state and county budget shortfalls don't support replacing them soon.
- ❑ Even with this expansion (i.e. Novant), however, additional beds will be needed to manage demand – 31 additional beds under the baseline assumptions.



**Capacity Solution**

**Addition of 44 Psychiatric  
Inpatient Beds**



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## **Mecklenburg Situation**

- CMC-Randolph I/P occupancy exceeds 100%; now on State-designated overflow.
- CMC-Randolph's ED was on redistribution for approximately 28% of the days in 2009, 76% in 2010, and 99% January – March, 2011.
- On any given day, between 20-30 patients are held in CHS emergency departments and general acute care beds while awaiting psychiatric bed placement.
- An independent study completed in collaboration with Mecklenburg County by The New Heights Group validated the need for additional psychiatric beds in the County.
- No county/state capital available for expansion at CMC-Randolph.



# Proposed Investment by CHS

- Facility:** Inpatient: 44 beds on single story (approx. 43,500 ft<sup>2</sup>)  
Outpatient: Separate but connected building (approx. 9,500 ft<sup>2</sup>)
- Capacity:** Approx. 1,500 discharges & 35,000 outpatient visits annually
- Location:** CHS-owned land adjacent to Huntersville Oaks
- Capital Cost:** \$24.5M
- CON filing:** May 16, 2011
- Completion/occupancy:** Between January-July 2013
- Bed Origination:** 2011 State Medical Facilities Plan beds & Broughton Hospital beds
- Staff:** Approx. 102 FTEs (including physicians)
- Patient Mix:** Uncertain, modeled average overall in Mecklenburg County
- Financial Impact:** \$3.8M estimated annual OCFM loss
- Other Benefits:**
- ✓ Increased community access
  - ✓ Patient safety improvements and risk management
  - ✓ Capacity for growth of mental health beds

