

Mental Health Reform: Where Are We Three Years Later?

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IN APRIL 2000, the Office of the State Auditor released an extensive study of North Carolina's mental health system that recommended sweeping changes in how this state provides mental health, developmental disability and substance abuse services. The study encompassed the work of health care experts from Public Consulting Group, Inc. and members of our performance audit staff.

That study, the first comprehensive look at our mental health system in a quarter-century, proposed that North Carolina's four outdated psychiatric hospitals be replaced with three new facilities; that more services be provided by local programs with local control; that the state guarantee funding for a basic menu of services; and that local, state and federal funding sources be integrated into a stable, protected revenue stream.

Those proposals provided a blueprint for moving North Carolina from a fractured, inefficient and overly expensive system of mental health care to a more integrated system of care with the emphasis on local program options. It remains as solid a blueprint today as it was three years ago.

The report led directly to the Mental Health Reform Act approved by the General Assembly in 2001. And steps taken by the North Carolina Department of Health and Human Services over the last couple of years echo the recommendations of our report.

The Difficulties of Mental Health System Reform

We had no illusions when the report was released that its recommendations would, or could, be quickly implemented or that the mental health system would be reformed overnight. We anticipated it would take years to create the system the report envisioned.

The economic realities of the last three years have made it difficult for the state to undertake any sweeping reforms. Despite that, a number of steps have been taken to implement the recommendations of our study.

The Legislature this year agreed that Dorothea Dix Hospital in Raleigh should be replaced with a new facility at Butner, as

the report recommended. The Department of Health and Human Services, meanwhile, has moved forward with its plans for shifting treatment and management to the local level, with input from families, consumers and health-care providers.

These changes are a good start, but it is a long road we are traveling and these are only a few first steps. The issues identified in our report are still before us and must be addressed as we move forward.

The Importance of Local Governance

The governance structure is a critical component that the Department of Health and Human Services is wrestling with as it refines its structure. Our report emphasized that local—*county-level*—governance is essential to make sure that services reach those in need of them.

We are far beyond the days when the mentally ill were “warehoused” in state psychiatric hospitals and forgotten. But we absolutely must avoid the mistakes of the 1970s and 1980s when the state proclaimed a shift to community programs, and sent patients from state hospitals back to communities that had no programs and no funding to create programs.

The local structure for providing services must be in place this time as we shift care back to the community. In addition, the funding must be made available for the basic menu of services outlined in our report. Communities must have that assurance as they move into this new relationship with the state.

Given the state's budget problems of the last few years, that guarantee may be one of the most difficult objectives to accomplish. *But, it is absolutely essential to any reform effort.*

Our study indicated that mental health programs had been under-funded for years, leading to many of the problems we identified. Programs for the mentally ill too often were the first victims of budget reductions and the last programs to be funded in prosperous economic times.

While some things have changed since our report was released, that tendency has not. When the state needed to find additional funds to cover a revenue shortfall this year, mental health programs were among the first selected and the most

deeply cut. Only active lobbying by advocates for those programs helped shift some of the budget burden to other areas.

To succeed, local mental health programs must be assured of financing for the basic services we recommend. Those services, once offered, should not be taken away from needy patients. Private providers, who are a key to local management of mental health programs, must be assured of payment for the services they provide. Those services, and the payment for them, cannot expand and contract with the economic cycle. *They must have stability.*

Greater efforts also must be made to channel the confusing maze of mental health financing programs into an *integrated system* that ensures the most efficient and effective use of every dollar that is available.

Hopeful Signs, Despite Increasing Demands and Budgetary Shortfalls

As we move forward with reform efforts, it is going to take a substantial effort by mental health advocates to be sure that those reforms address the needs of our citizens.

During the study, I was constantly amazed at the number of people who care so deeply about these programs and who were willing to sacrifice their time and offer their help to produce a thorough study.

Those advocacy groups will have to be vigilant as these reforms roll out. They need to be sure their concerns are being addressed, and to make sure that the funding for these programs does not fall victim to the first winds of economic change.

Given our experience during this study, we believe they are more than up to the task.

As we move into the decades ahead, demographers tell us we can expect even more demands on our mental health system. Those demands will mirror the increasing demands on all of our health-care systems.

An aging population more dependent than ever before on government health programs means we must strengthen our services and consider how we are going to finance those services.

Over the last 24 years, state spending on health care programs has increased by 938 percent. Medicaid spending alone has grown to \$7.4 billion over the last several years, which means it has a greater economic impact on North Carolina than the tobacco industry and textile manufacturing combined.

The State Health Plan, meanwhile, which provides health insurance for state employees, teachers and retirees, has seen its expenditures grow by 739 percent over the last 19 years.

Those figures are sobering for anyone involved in planning for the future of this state, especially when you consider that demands for increased education spending most certainly will continue. The number of children is increasing as North Carolina continues to attract families from other states. At the same time, the number of senior citizens continues to increase as more retirees move into the state and our own population ages.

The spending trends have given me a lot of concern over the last few years, to the point that I have reorganized our office to establish a special auditing team for health-related issues. That team will be concentrating on health spending, with an eye to making recommendations to our state's leadership about how to deal with increasing medical costs.

I believe that our role in the Office of the State Auditor is to be both a watchdog for how tax funds are spent, and a strategic adviser to our leaders on how best to cope with the shifting demands on limited government resources.

Mental health programs, which have been virtually ignored for so long, will be part of that equation in the future and one of the areas our special auditing team will keep in mind for further review.

We have started the journey toward mental health reform, but we still have a long way to go. We must ensure that we follow the blueprint outlined in our report and finish this journey.