

# Senate Medical Affairs Committee

## Summary Report on the

### Department of Alcohol and Other Drug Abuse Services

#### February 2017

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The Department of Alcohol and Other Drug Abuse Services (DAODAS) is a cabinet agency that interprets its mission as ensuring the availability of substance abuse services throughout the state. The department administers federal grants as well as state and other funds to provide the requisite funding to the county authorities which make up the provider network and provide direct services to clients suffering from substance abuse and other addiction issues. The agency should transition from a subjective system of funding providers to a system that allocates funding based upon objective criteria and paying for specific services provided. DAODAS should undertake a study to look at further consolidation of the provider network. The agency needs to improve the Electronic Health Records system and attempt to reduce the burden on county authorities of numerous deliverables. DAODAS should take steps to ensure that county authorities are complying with state law regarding the option of indigent individuals performing community service in lieu of payment for ADSAP services.

### *Agency at a Glance*

The Department of Alcohol and Other Drug Abuse Services is a cabinet agency with the stated mission of ensuring the availability and quality of a continuum of services related to substance abuse, thereby improving the health status, safety and quality of life of individuals, families and communities across South Carolina. It accomplishes this mission primarily by contracting with county authorities to provide direct services to clients. The agency has a General Fund budget of \$8.4 million and \$46.3 million in Total Funds.

### *Issues*

#### *Allocation of Funds*

The leadership at DAODAS was unable to define the methodology for the allocation of the SAMHSA federal block grant. They explained that the primary determination for allocating funds was historical. However, they were unaware of the specific methodology used to determine the past allocations.

- **Agency Recommendation: DAODAS should develop a written plan which phases in a transition to allocate funds based upon objective relevant data related to the target population.**

## *Reimbursement of Funds*

Currently, DAODAS reimburses the county authorities primarily for expenditures incurred rather than for actual services provided. This means that the funding provided to the county authorities does not pay for the same level of service in different geographical areas which could have the effect of rewarding inefficient use of funds and encouraging greater administrative costs

- **Agency Recommendation: The Department of Alcohol and Other Drug Abuse Services should continue to aggressively phase in the transition to a reimbursement for services model and develop a proposed schedule for full implementation.**

## *Funding Controlled by DAODAS*

Less than forty percent of the funds for drug and alcohol services pass through DAODAS to the service providers.

- **Legislative Recommendation: The General Assembly should consider amending state law to direct that the funds from the Alcoholic Beverage Excise Tax and the Medicaid Accountability and Quality Improvement proviso are transferred to the Department of Alcohol and Other Drug Abuse Services for allocation to the providers utilizing the current methodology specified for allocating these funds.**

## *Medicaid Accountability and Quality Improvement Initiative Healthy Outcomes Proviso (HOP) funding*

To address the 20% reduction in funds, the Behavioral Health Services Association has presented a plan that would reduce the base allocation to \$10,000 for each provider with the balance of the funds (\$1.29 million) divided equally and allocated based upon poverty levels and numbers of uninsured.

- **Legislative Recommendation: The General Assembly should consider directing the Department of Health and Human Services to adopt the revised allocation methodology proposed by the provider association.**

## *Agency Relationship with Providers*

Despite having the role of the state agency responsible for providing alcohol and other drug abuse services, DAODAS has limited statutory authority over the providers.

- **Legislative Recommendation: The General Assembly should consider the relationship between DAODAS and the county authorities and amend state law, if necessary, to reflect its intent.**

## *Department of Revenue Responsible for Tobacco Enforcement*

State law tasks the SC Department of Revenue with enforcement of the prohibition against selling tobacco products to persons under the age of eighteen. However, the Department of Revenue states that they do not participate in the enforcement activities cited in the law. Instead, DAODAS carries out these activities as part of a federal grant.

- **Legislative Recommendation: The General Assembly should amend S.C. Code §16-17-503 to require the Department of Alcohol and Other Drug Abuse Services to be responsible for underage tobacco enforcement.**

## *Medicaid Managed Care/Parity*

Since the county authorities' contracts with DAODAS require that they furnish needed services this can mean cost shifting from Medicaid funding to other state funds. When this occurs, it means the state must bear the full cost of service rather than taking advantage of the Medicaid match rate. County authorities have reported experiencing various difficulties arising from this system leading one to file suit against an MCO.

- **Legislative Recommendation: The General Assembly should direct the Department of Health and Human Services to conduct or contract for a study regarding the effectiveness of managed care in efficiently providing services to clients when the service provider is a government funded entity.**

## *Medicaid Matching Funds*

Proviso 37.3 directs DAODAS to transfer \$1,915,902 to the SC Department of Health and Human Services for Medicaid matching funds.

- **Legislative Recommendation: The General Assembly should include the Medicaid matching funds in the Medicaid appropriation to DHHS and include a proviso that they are to pay the match for claims by the Department of Alcohol and Other Drug Abuse Services providers.**

## *Consolidation*

The uneven distribution of resources and services throughout the state seems to indicate that there is opportunity for saving through additional consolidation of the programs.

- **Agency Recommendation: The Department of Alcohol and Other Drug Abuse Services should undertake a study and develop a proposal for future consolidation of the provider network that would effectively utilize resources to provide the greatest level of services.**

### *Electronic Health Records (EHR)*

DAODAS reports that the electronic health records fail to comply with SAMHSA requirements and do not fully accomplish the intended purpose.

- **Agency Recommendation:** The Department of Alcohol and Other Drug Abuse Services should determine if the current system can be revised to meet the data collection and reporting requirements of SAMHSA and the needs of the agency. If this can be done, they should work with the vendor to update the current EHR system. If not, the Department should begin the process of identifying and purchasing a system that is SAMHSA compliant and fulfills all of the tracking and reporting needs of the agency. All of the providers should be required to utilize the mandatory system in order to qualify for funding.

### *Required Deliverables*

The county authorities have indicated that the quantity of reports required can be burdensome.

- **Agency Recommendation:** The Department of Alcohol and Other Drug Abuse Services should review the list of deliverables required from the county authorities to determine which provide necessary information and which, if any, might be unneeded and/or capable of consolidation. Any deliverables that do not contribute to the monitoring, improvement or administration of services should be eliminated when possible. Also, the agency should to the extent possible seek to extract data from the Electronic Health Records in lieu of requiring additional reporting from the county authorities.

### *ADSAP Fees*

The data indicates that the law requiring that ADSAP fees be waived in lieu of fifty hours of community service for indigent clients is not uniformly applied throughout the state.

- **Agency Recommendation:** To ensure compliance with state law, the Department of Alcohol and Other Drug Abuse Services should ensure that all of the county authorities are uniformly qualifying clients as indigent and unable to pay. The Department should also require that all reports are submitted in a timely manner and determine if the reporting is being done correctly. DAODAS should also require that an option for community service is in place and made available by the county authorities before certifying their ADSAP program. Finally, the Department should utilize anomalies in the data collected to initiate corrective action to the program.

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## Report on the Department of Alcohol and Other Drug Abuse Services

February 2017



Senator Harvey S. Peeler, Jr.  
Chairman

The Department of Alcohol and Other Drug Abuse Services (DAODAS) is a cabinet agency that interprets its mission as ensuring the availability of substance abuse services throughout the state. The department administers federal grants as well as state and other funds to provide the requisite funding to the county authorities which make up the provider network and provide direct services to clients suffering from substance abuse and other addiction issues. The agency should transition from a subjective system of funding providers to a system that allocates funding based upon objective criteria and paying for specific services provided. DAODAS should undertake a study to look at further consolidation of the provider network. The agency needs to improve the Electronic Health Records system and attempt to reduce the burden on county authorities of numerous deliverables. DAODAS should take steps to ensure that county authorities are complying with state law regarding the option of indigent individuals performing community service in lieu of payment for ADSAP services.

## *I. Agency at a Glance*

### *Mission*

The stated mission of the Department of Alcohol and Other Drug Abuse Services is to ensure the availability and quality of a continuum of services related to substance abuse, thereby improving the health status, safety and quality of life of individuals, families and communities across South Carolina. It accomplishes this mission primarily by contracting with county authorities to provide direct services to clients

### *History*

Established in 1957 as the South Carolina Alcoholic Center the agency was originally tasked with implementing a statewide alcohol education program and developing the state's first inpatient treatment facility. Redesignated in 1966, as the South Carolina Commission on Alcoholism, the Commission functioned as an independent agency to address prevention and control of alcohol related problems. As a result of extensive committee hearings regarding the state's drug problems, the Office of the Commissioner of Narcotics and Controlled Substances was created in 1971. These two agencies with interrelated missions were combined in 1974 creating the South Carolina Commission on Alcohol and Drug Abuse (SCCADA). Act 301 of 1973 created the system of county alcohol and drug abuse prevention offices which continue to provide services to communities statewide. In 1993, as part of government restructuring, SCCADA was renamed the SC Department of Alcohol and Other Drug Abuse Services (DAODAS), and made a cabinet agency.

### *Governing Authority:*

As a cabinet agency, the Director of the Department of Alcohol and Other Drug Abuse Services reports directly to the Governor. The Governor appoints this individual (with the advice and consent of the Senate) and has the authority to remove the director from office at her discretion.

SECTION 44-49-10 broadly establishes the powers and duties of the Department of Alcohol and Other Drug Abuse Services including, "...full authority for formulating, coordinating and administering the state plans for controlling narcotics and controlled substances and alcohol abuse".

SECTION 44-49-20 provides for a director to be appointed by the Governor, upon the advice and consent of the Senate. The director is subject to removal by the Governor pursuant to the provisions of Section 1-3-240.

## *Operations/Programs*

As the funding entity, DAODAS subcontracts with the 32 county alcohol and drug abuse authorities comprising the “301” provider network. The local entities provide a wide array of services that can be categorized under three headings, Prevention, Treatment, and Recovery and to a lesser degree Intervention. The term intervention is becoming less commonly used as the only significant distinction between treatment and intervention is the manner in which clients are identified and referred for treatment. All 32 providers must provide the core services. However, the availability of extended services offered varies significantly from one provider to the next with the bulk of these services available only in larger urban areas of the state.

Services offered are primarily centered on counseling and education. The primary differences in the programs relate to the setting for the service delivery, mode of providing services and clients targeted including variables such as inpatient/outpatient treatment, group/individual counseling and the intensity/frequency of the services provided. Some services such as Medication Assisted Treatment (MAT) and detoxification services have a pharmaceutical component in addition to counseling and education.

County authorities submit a county plan indicating the priorities of their entity in combating issues related to substance abuse and other addictive behaviors. Once the plan has been approved by DAODAS a contract is executed between the state agency and the county authority to ensure compliance with federal and state requirements as well as the approved plan.

The core services are available at all provider locations and consist of the following:

### Level 1 Outpatient

Outpatient services for adolescents and adults typically consist of less than 9 hours of service/week for adults, or less than 6 hours a week for adolescents for recovery or motivational enhancement therapies and strategies. Level 1 encompasses organized services that may be delivered in a wide variety of settings. Outpatient treatment is available in every county of the state for individuals and families who are suffering from problems related to their use of alcohol and other drugs. The least restrictive of all of the services provided by the county authorities, traditional outpatient treatment includes assessment and referral, individual and group counseling, family counseling, case management and crisis management services. .

### Alcohol and Drug Safety Action Program (ADSAP)

State law requires all South Carolinians who are convicted of driving under the influence (DUI) to successfully complete the department's Alcohol and Drug Safety Action Program (ADSAP) before they can be eligible for relicensing by the South Carolina Department of Motor Vehicles. The ultimate goal of the program is to improve highway safety by providing assessment, education and treatment services for DUI offenders in an effort to reduce their risk of committing another DUI in the future. This program is available throughout South Carolina. Providers have indicated that the level of service provided for ADSAP clients is determined by the assessment process. Unlike some states, SC utilizes an assessment based education and treatment plan rather than an offender based plan. Some clients may only receive the instructional component while others receive actual treatment depending upon the initial assessment. Clients are required under Section 56-5-2990(C) to pay for the cost of the program with fees of no more than \$500 for the instructional component and up to \$2,000 for treatment with a maximum of \$2,500 combined. However, under the law, an applicant may not be denied services for inability to pay. If the clients are unable to pay, they must perform fifty hours of community service as arranged by the Alcohol and Drug Safety Program.

### Youth and Adolescent Services (YAS)

Youth and Adolescent Services (YAS) is a program to provide intervention services for high-risk children and adolescents, which may include kindergarten through 12th grade, who are identified through the school system, human service providers, parents or self-referrals and who are experiencing a wide range of personal or behavioral problems. Through YAS, students and families are provided with the opportunity to learn new ways of coping with their problems so that they can avoid the development of more serious problems in the future.

### Alcohol Intervention Program (AIP)

The Prevention of Underage Drinking and Access to Alcohol Act of 2007 requires an individual who violates laws against the underage possession or consumption of beer, wine or alcohol to successfully complete a DAODAS approved alcohol prevention education or intervention program. Clients are screened and placed in services using Motivational Enhancement Therapy (MET) and (Cognitive Behavioral Therapy (CBT) as an intervention. These methods of treatment provide clients motivation to change, training tips for building the skills necessary to increase social support, options for engaging in non-drug related activities, and avoidance and coping mechanisms to deal with any potential relapse issues.

### Primary Prevention

Broad-based prevention services provided at the local level through the county alcohol and drug abuse authorities are based on the Center for Substance Abuse Prevention's six strategy areas: information, education, alternatives, problem identification, community-based process, environmental and referral (generally operated by treatment/intervention services). The county authorities collect and organize data about their respective communities and then plan programs or activities, collaborating with other organizations to address the community's needs. Community-based prevention services are designed to buffer known risk factors and enhance those factors that have been proven effective in protecting individuals, families and communities from the identified risks.

### Gambling Services

The availability of online gambling has resulted in an upsurge in gambling problems for South Carolina citizens. To meet the increased need for gambling addiction services in South Carolina, counselors throughout the state have undergone extensive training to provide treatment in a group setting for individuals who are facing problems of this nature. To ensure continuity of care throughout the state, services are available in every county of the state. Clients are assessed through a series of questions to determine if they have a problem with gambling addiction. Those responding in the affirmative to several questions are then referred for counseling.

### Infectious Disease Prevention Services

The block grant also requires DAODAS to ensure that the county authorities provide infectious disease prevention services (HIV and TB testing).

### *Extended Services*

Extended services are typically offered at the larger county authorities. These include: Inpatient Treatment, Intensive Outpatient Treatment, detoxification services, Medication Assisted Treatment and numerous other services that require a larger investment of resources unavailable at smaller county authorities.

## *Physical Facilities*

All of the county authorities are licensed by the Department of Health and Environmental Control. However, the disparity between the physical facilities among county authorities is significant. Larger operations may have multiple new buildings constructed specifically for the intended purpose of providing substance abuse services with state of the art conference rooms and offices. At the other end of the spectrum, smaller operations are likely to have obtained small commercial spaces that have been converted from their original purposes. These can be crowded and rambling structures. There are a number of factors that determine the state of the physical facilities including local government support, specific targeted allocations in the state budget for infrastructure improvements and the director's ability to raise funds from the community. DAODAS is currently working on a plan to distribute an allocation in the current budget for \$3 million in infrastructure improvements from the Capital Reserve Fund. In the past, the infrastructure improvement funds in the state budget were often earmarked to specific facilities.

## *Provider Network*

Established in 1973 the provider network originally consisted of 46 entities, one for each county, 32 providers are now divided into four geographic regions. Each of the four regions contains a diverse mix of providers with at least one large entity providing a wide range of extended services as well as medium and small authorities providing a more limited number of extended services. Many of the county authorities undertake additional social services activities such as organizing food pantries and clothing donation programs. This is more common in rural areas that lack ready access to these services. Over time, several of the county authorities have combined to form multi-county entities. The multi-county entities are:

- 1) Anderson and Oconee counties
- 2) Abbeville, Edgefield, Greenwood and McCormick counties
- 3) Hampton, Allendale and Jasper counties
- 4) Chesterfield, Kershaw and Lee counties
- 5) Marlboro, Dillon, and Marion counties
- 6) Bamberg, Orangeburg and Calhoun counties
- 7) Lexington and Richland counties
- 8) Newberry and Saluda counties (as of July 2016)

All of the remaining 25 providers are single county authorities.

The majority of the county authorities have governing boards appointed by county council which have the authority to hire and fire the director and set policy. A few have more limited autonomy, and the county council exercises a greater (but varying) level of control over the operations of the entity. Those operating under this model include: Beaufort, Charleston, Spartanburg, Union and Williamsburg counties.

All but one of the county authorities is certified via the Commission on Accreditation of Rehabilitation Facilities (CARF). The sole exception is the Tri-county region comprised of Orangeburg, Bamberg and Calhoun counties. This region is accredited through the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) because the authority operates a psychiatric hospital. Both of these health care accrediting organizations are non-profits operating accreditation programs to ensure a specified level of quality.

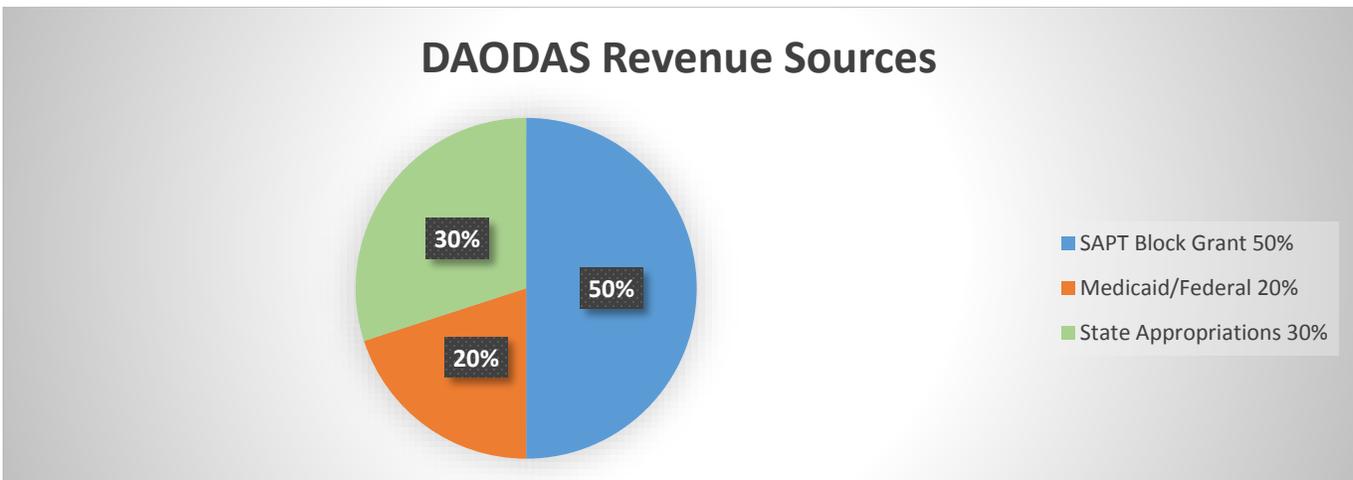
**Finance:**

*Revenues*

DAODAS Appropriations

FY	Total Funds	State Funds	% State
2008	38,307,971	11,452,947	30%
2009	37,640,752	9,691,644	26%
2010	35,891,321	8,434,155	23%
2011	34,238,201	6,535,617	19%
2012	32,552,103	6,248,379	19%
2013	32,298,130	6,255,633	19%
2014	39,169,888	6,498,728	17%
2015	41,636,753	6,504,672	16%
2016	43,274,207	6,643,669	15%
2017	49,304,719	8,398,181	18%

As demonstrated by the table above, until the current fiscal year, State appropriations to DAODAS have been declining in actual terms and as a percentage of total funds since FY 2008. The increase in the current fiscal year is due to a new recurring appropriation of \$1.75 million for Medication Assisted Treatment. However, state appropriations do not fully represent the state funding for alcohol and other drug abuse treatment and prevention. Funding for the state’s alcohol and other drug prevention and treatment services are derived from numerous sources. Only a relatively small portion of these funds actually pass through DAODAS. For FY 2015, the aggregate breakdown of the funding to the providers demonstrates that only 38% (\$33.3 million) of the state, federal and other funds to the providers comes through DAODAS. The next largest source of funding is from Medicaid payments (both fee for service and managed care reimbursements). Combined, these equate to another \$17 million or 19% of funding to the local providers. County governments also contribute \$9.7 million (11%), but this funding primarily comes from the alcoholic beverage excise tax funding explained below. Of the \$6.6 million in recurring state funds appropriated to DAODAS, 91% (approximately \$6 million) flows through the agency to other entities. DAODAS transfers \$1.9 million to DHHS for Medicaid matching funds, with the balance of the flow through funding going to the county authorities. Approximately \$3.5 million of the funds transferred to the local authorities is for local salary supplements to pay the state portion of the salary of local employees attributable to state pay increases. The majority of the agency’s administrative budget is derived from the allowable 5% administrative fee on the federal SAMSHA block grant.



## *Federal Grants*

The primary activities of DAODAS center on administering the agency's federal grants programs. In addition to legislation, the requirements of these grants largely determine the activities funded by the department and the department's requirements for the county authorities. In FY16, DAODAS administered six federal grants totaling \$31.9 million. The agency's primary grant is the Substance Abuse Prevention and Treatment (SAPT) block grant of \$23.1 million. The federal funding authority for this grant is the Substance Abuse and Mental Health Services Administration (SAMHSA) which is established under the U.S. Department of Health and Human Services. This grant funds treatment, prevention and intervention as well as several mandatory set-asides to address areas of critical need including pregnant women with substance abuse disorders, IV drug users, individuals with tuberculosis or who are at risk for HIV/AIDS. Unlike the SAPT block grant which funds diverse programs, the other grants are intended to address more specific problems. These grants are as follows:

- \$1.6 million for Empowering Communities for Healthy Outcomes (ECHO) addresses prescription drug abuse/misuse and impaired driving in nine high need counties.
- \$2.2 million for Temporary Assistance for Needy Families (TANF) Funds the Partners in Achieving Independence through Recovery and Self-Sufficiency (PAIRS) program providing time-limited assistance programs such as employment services for parents, inpatient residential facilities for women with children and other specialized services for struggling families to assist them in reintegrating into their communities.
- \$2.2 million for State Tobacco Compliance Check Program in which officers test the compliance of retailers in following the laws against selling tobacco products to minors.
- \$1.9 million for Screening Brief Intervention and Referral to Treatment (SBIRT) is intended to target individuals at primary care centers, hospital emergency rooms, trauma centers and other community centers for early intervention with at risk substance users to prevent more serious consequences.
- \$0.8 million for State Youth Treatment Implementation, which provides adolescent treatment to youth with substance abuse and co-occurring mental disorders.

## *Alcoholic Beverage Excise Tax*

Section 12-33-245 (B) directs eleven percent of the state excise tax on alcoholic beverages be transferred to counties by the State Treasurer, to be used for educational purposes related to the use of alcohol and rehabilitation services for alcoholics and drug addicts. These funds are allocated to counties on a per capita basis per the most recent U.S. Census.

SECTION 6-27-40(2)(B) requires that the State Treasurer inform counties of the amount of the Local Government Fund "that must be used for educational purposes relating to the use of alcoholic liquors and for the rehabilitation of alcoholics and drug addicts." This amount must be equal to twenty-five percent of the revenue derived pursuant to Section 12-33-245.

These sections mean that the equivalent of thirty-six percent of the revenues derived from the alcoholic beverage excise tax is transferred from the county treasurers to the DAODAS providers for the purpose of funding prevention and treatment programs. In FY 2015, this equated to approximately \$7.8 million. To receive these funds, the county authorities must have a county plan submitted and approved by DAODAS.

## *Expenditures*

The majority of the agency's funding is expended in the form of allocations to the providers for direct services. Of the \$8.4 million in state general fund expenditures in FY 15, approximately 74% were paid directly to the county authorities and another 23% was transferred to SCDHHS for Medicaid matching funds. Of the \$29.4 million in federal expenditures the agency incurred in FY 15, approximately 86% were paid directly to the county authorities. Most of the funding for the internal operations and programs of DAODAS is provided by federal grants received by the agency. While the providers are required to submit various reports on service delivery, there is currently no direct correlation between services provided and payments to the providers. However, the leadership at DAODAS is attempting to phase in a reimbursement model to fund providers for services performed.

## *Budget Request*

The DAODAS FY 17 budget request included the following items:

### State Recurring Appropriation

\$1.75 million for Medication Assisted Treatment

### State Non-recurring Appropriation

\$3 million in non-recurring state funds for county authority infrastructure improvements

### Other Funds Authorization

\$3 million in other funds authorization for DSS Drug Screening and Testing. Recognizing that substance abuse is often a factor in child maltreatment, DAODAS and DSS have collaborated in order for DAODAS to contract with the local providers to perform drug testing, screening and assessment for Child Welfare Services clients.

### Federal Funds Authorization

\$1,426,389 in increased federal authorization for the SAMHSA SAPT block grant to fund tobacco enforcement compliance checks at retailers.

\$1,648,188 in increased federal authorization for Empowering Communities for Healthy Outcomes (ECHO)

All of the agency's funding requests were included in the Governor's version of the budget and the final appropriations act. However, the listed funding requests may reflect the practice of cabinet agencies only including items in the budget request that have already been approved for inclusion in the Governor's budget plan. This results in a more modest budget request that may not present all of the funding needs of an agency to the General Assembly for consideration.

## *Staffing*

The agency had 33.81 authorized FTEs, of which, only one-third are state funded. In FY 14-15, the agency averaged 22 employees with a turnover rate of 9.09%. This rate is below the average for non-higher education state agencies. The agency has retained a stable workforce with no noticeable staffing issues. However, the director retired in August and the Governor has named an acting director pending selection and confirmation of a new director.

## ***II. Issues***

### ***A. Reorganization***

DAODAS is currently experiencing a period of transition. The director has resigned and an acting director has been named to run the agency until a permanent director is appointed and confirmed. Also, the agency will soon be physically relocating from the Department of Mental Health building to the Department of Health and Human Services building. Therefore, if the agency is to be reorganized, this current period of transition may be the optimal time to make these changes rather than having a subsequent period of disruption in the future.

Three separate structural models could be considered for DAODAS.

- The first is simply keeping the department as an independent cabinet level agency. Only two other states (New York and Pennsylvania) currently utilize this model.
- A second option includes combining the DAODAS with the Department of Mental Health (DMH) and some other health functions. In the last legislative session, Senate bill S.550 was introduced and referred to the Committee on Medical Affairs. Among other things this bill would have created the Department of Behavioral and Public Health as a cabinet agency, by combining the Department of Alcohol and Other Drug Abuse Services with the Department of Mental Health and the health related portions of the Department of Health and Environmental Control.
- A third option proposed by the previous director of DAODAS would move the department under the purview of the Department of Health and Human Services (DHHS).

The structures adopted by other states in the Southeast primarily combine mental health and alcohol and other drug services into a behavioral health agency or under the auspices of a single state health department. Also, the Substance Abuse and Mental Health Services Administration (SAMHSA) is the primary federal funding authority for both of these activities and many of the clients require both substance abuse and mental health services.

Each of these models offers advantages and challenges.

The current stand-alone cabinet level model provides autonomy and raises the visibility of the agency. Since the director is responsible only for these services he/she can be an advocate solely for the issues of substance abuse and has greater insight into the programs and activities of the agency. The provider groups have expressed concerns about losing this stature. However, existing as a relatively small stand-alone agency also reduces the opportunities for collaboration and optimal coordination of resources. Should the agency remain as a cabinet level department, it is imperative that the director be capable of working with the provider network and other state entities to successfully promote the goals and mission of the agency.

Combining the agency with the Department of Health and Human Services would increase the potential for collaboration and might provide greater access to resources. At the same time, transitioning from an independent agency to an office within a larger agency could reduce the agency's standing and the perceived commitment of the state to the problems of substance abuse. Also, in South Carolina, the Department of Health and Human Services does not act as an umbrella agency for all health care services but instead is primarily a funding authority with little involvement in managing programs. Subsuming the activities of DAODAS into the much larger DHHS would require a change in the culture of both agencies.

In many respects, melding DAODAS with DMH seems like the most obvious course of action. The behavioral health/substance abuse provider groups often work with the same clients and the agencies are already collocated at the office on Bull Street. Additionally, the same federal agency Substance Abuse and Mental Health Services Administration (SAMHSA), funds and provides guidance to both of these agencies. One of the greatest barriers to combining these services in South Carolina is that, the mental health provider network is a closed system in which the providers are essentially part of DMH while the providers for DAODAS are primarily non-profits and largely independent of the agency. Also, DMH is currently not a cabinet agency. This change would require one of the agencies involved to change its governance system. The transition would also require the administration of the newly formed agency to revise the culture of the agency to fully incorporate both of these modes of operation.

- **Legislative Recommendation**

Whichever model is adopted, the priorities and expectations of the General Assembly should be clearly communicated to the administration of the appropriate agency and clearly expressed in the amended statutes if appropriate.

### *B. Allocation of Funds*

The leadership at DAODAS was unable to define the methodology for the allocation of the SAMHSA federal block grant. They explained that the primary determination for allocating funds was historical. However, they were unaware of the specific methodology used to determine the past allocations. When additional funds are available, the leadership team reads the county plans and then makes a determination regarding the allocation of new funds. The agency didn't provide criteria for determining the allocation of additional funding. The directors of the county authorities also stated that they did not understand how the funds were allocated. Although there may have originally been an objective methodology, subsequent decisions by previous administrations have resulted in an approach that largely relies upon past precedent to allocate the majority of the funds. While some of these previous funding decisions may have been necessary to avoid funding shortfalls at smaller county authorities, to meet specific demand or in response to political pressures, there is currently no identifiable correlation between the allocations and need or performance.

- **Agency Recommendation**

DAODAS should develop a written plan which phases in a transition to allocate funds based upon objective relevant data related to the target population. In developing this transition plan the agency will need to consult with the provider association to ensure that the providers understand the rationale used and agree in principle with the revised allocation process.

### *C. Reimbursement of Funds*

Currently, DAODAS reimburses the county authorities primarily for expenditures incurred rather than for actual services provided. Therefore, the funding provided to the county authorities does not pay for the same level of service in different geographical areas which could have the effect of rewarding inefficient use of funds and encouraging greater administrative costs. SAMSHA has expressed concerns about this process and the agency has begun taking steps to phase in a reimbursement policy of paying for services actually provided to the clients.

- **Agency Recommendation**

The Department of Alcohol and Other Drug Abuse Services should continue to aggressively phase in the transition to a reimbursement for services model and develop a proposed schedule for full implementation.

#### *D. Funding Controlled by DAODAS*

As noted elsewhere, less than forty percent of the funds for drug and alcohol services pass through DAODAS to the service providers. The majority of the funds distributed by DAODAS are from federal grants. Most of the state funding that flows through the agency to the provider network is for the state salary supplement and not used to provide direct services to clients. The state does provide other funding for treatment and prevention services via the Alcoholic Beverage Excise Tax and the Medicaid Accountability and Quality Improvement proviso. Funding the providers from various entities reduces the ability of DAODAS to ensure that the funds are used appropriately to provide services in compliance with the county plans. Directing the funds through DAODAS will ensure that the state continues to meet the federal requirements for maintenance of effort and allow DAODAS to better monitor the expenditure of funds for compliance with the county plans.

- **Legislative Recommendation**

The General Assembly should consider amending state law to direct that the funds from the Alcoholic Beverage Excise Tax and the Medicaid Accountability and Quality Improvement proviso are transferred to the Department of Alcohol and Other Drug Abuse Services for allocation to the providers utilizing the current methodology specified for allocating these funds.

#### *E. Medicaid Accountability and Quality Improvement Initiative Healthy Outcomes Proviso (HOP) Funding*

Beginning in FY 14-15, \$2 million was set aside in the Medicaid Accountability and Quality Improvement Initiative, proviso 33.26, for the local alcohol and drug abuse authorities created under Act 301 of 1973. Section D of the proviso directed DHHS to formulate a methodology and allocate "...at least \$2,000,000 of funding for local alcohol and drug abuse authorities created under Act 301 of 1973." Initially, the methodology utilized was simply \$30,000 for each entity and another \$10,000 for each additional county served by the individual provider with the balance of the funds (\$880,000) distributed based upon population. This methodology did not take into account the actual goal of HOP to reimburse providers for services to poor uninsured individuals. Because the funding was not directed based upon the target population, some providers have elected to transfer funds to providers in other areas that were able to address an existing need. For the current year, the total amount of the funding was reduced by 20 percent to \$1.6 million. To manage this reduction in funding and better target the funding to address the unmet need, the Behavioral Health Services Association has presented a plan that would reduce the base allocation to \$10,000 for each provider with the balance of the funds (\$1.29 million) divided equally and allocated based upon poverty levels and the number of uninsured. Although, this methodology will result in providers seeing reductions of greater or less than 20 percent (i.e. winners and losers) it will better target the funding to address the needs of the clients.

- **Legislative Recommendation**

The General Assembly should consider directing the Department of Health and Human Services to adopt the revised allocation methodology proposed by the provider association.

*F. Agency Relationship with Providers*

Despite its role as the state agency responsible for providing alcohol and other drug abuse services, DAODAS has limited statutory authority over the providers, as the providers were established independently of DAODAS. Counties were directed in Section 61-12-20(a) to designate a public or private organization to be the sole agency in the county for alcohol and drug abuse planning and programs. In most counties, the county council elects the county alcohol and drug abuse authority governing board but otherwise has relatively little interaction with the provider. Many of the providers are independent 501(c) non-profits with very limited interaction with local government. The county authorities are also required to submit a written plan to DAODAS for approval. The legislation specifically requires DAODAS to approve the plan if it is reasonable. Should DAODAS decline approval, the Governor can direct the agency to reconsider the plan. This statute provides the local authorities considerable independence in determining how services will be provided within the county.

In addition, the providers have a separate association that contracts with a private lobbying firm and advocates for them directly with the legislature and the executive branch. This reduces the dependence of the providers to have DAODAS act as an advocate for the providers in legislative and executive funding and policy decisions

Although largely independent, the 301 provider group is unlike many other health care provider networks with which the state contracts. Other state agencies contract with independent non-profits and for profits to provide services to the agencies' clients. This public private partnership means that these providers compete for clients and for contracts with the state to serve those clients. At the other end of the spectrum, the Department of Mental Health utilizes a closed system in which the local service delivery providers are essentially an extension of the agency. This ensures that the governing state agency is able to exercise authority to control cost and quality of service delivery as well as ensuring that the State's priorities are addressed.

The local county authorities essentially have a monopoly on providing state funded drug and alcohol treatment services within their counties. This limits DAODAS' ability to negotiate the quality, quantity and cost of the services provided since they cannot utilize an alternative vendor. The system also forces DAODAS to fund and support the existing county authorities at a level that ensures that they are able to maintain a presence and be available to provide services throughout the state and meet the legislative requirements. The combination of independence without the pressures of competition means that the state agency has less ability to insist on effectiveness and efficiency for the county authorities.

While the current relationship between DAODAS and the providers is cordial, this relationship is dependent upon informal personal relationships rather than an established formal structure. DAODAS is often in a position of encouraging the providers rather than demanding services. Furthermore, the providers receive only approximately 38% of their funding statewide from the agency and it would require significant malfeasance on the part of a provider for the agency to deny funding.

To address these issues, the statutory authority of DAODAS may need to be amended. One amendment could include allowing DAODAS to contract with private non-profit and for-profit entities in order to increase the availability of services and introduce competition into the marketplace for these services. Increased competition may provide more efficient service delivery and potentially expand the services available in rural areas of the

state. This would be similar to the home and community based services provider network or the disabilities and special needs provider network. Alternatively, DAODAS could be granted greater authority in determining what must be in the county plans and in enforcing compliance.

- **Legislative Recommendation:**

The General Assembly should consider the relationship between DAODAS and the county authorities and amend state law, if necessary, to reflect its intent.

### *G. Department of Revenue Responsible for Tobacco Enforcement*

State law tasks the SC Department of Revenue with enforcement of the prohibition against selling tobacco products to persons under the age of eighteen. However, the Department of Revenue states that they do not participate in the enforcement activities cited in the law. Instead, DAODAS carries out these activities as part of a federal grant from the FDA.

#### **SECTION 16-17-503.** Enforcement; reporting requirements.

(A) Except as otherwise provided by law, the Director of the Department of Revenue shall provide for the enforcement of Sections 16-17-500 and 16-17-502 in a manner that reasonably may be expected to reduce the extent to which tobacco products or alternative nicotine products are sold or distributed to persons under the age of eighteen years and annually shall conduct random, unannounced inspections at locations where tobacco products or alternative nicotine products are sold or distributed to ensure compliance with the section. The department shall designate an enforcement officer to conduct the annual inspections. Penalties collected pursuant to Section 16-17-502 must be used to offset the costs of enforcement.

(B) The director shall provide for the preparation of and submission annually to the Secretary of the United States Department of Health and Human Services the report required by Section 1926 of the federal Public Health Service Act (42 U.S.C. 300x-26) and otherwise is responsible for ensuring the state's compliance with that provision of federal law and implementing regulations promulgated by the United States Department of Health and Human Services.

- **Legislative Recommendation**

The General Assembly should amend S.C. Code §16-17-503 to require the Department of Alcohol and Other Drug Abuse Services to be responsible for underage tobacco enforcement.

### *H. Medicaid Managed Care/Parity*

The managed care system administered by DHHS is a system intended to manage cost utilization and quality in health care delivery. The process involves the state Medicaid agency paying Managed Care Organizations (MCOs) a capitated rate for Medicaid clients enrolled in the system. The MCOs in turn reimburse providers for Medicaid eligible services per their contracts with the providers. Several years ago, the DAODAS providers transitioned into managed care but have since reported various difficulties arising from this system. One of the concerns is that each of the 32 providers must independently contract with the five MCOs. The five MCOs each have different contracts with varying terms and conditions. For example, one MCO might preauthorize service for 30 days while another only preauthorizes for one week at a time. Also, the MCOs exercise their own discretion in establishing parameters regarding patient eligibility for Medicaid reimbursement. This means that a county authority must keep up with the requirements for each service multiplied by the five MCOs to ensure that they

obtain the necessary prequalification for each managed care patient before providing treatment. Additional requests must then be made to renew the preauthorization in order to extend treatment when previous authorizations (which have varying durations from one MCO to the next) expire.

As described by DHHS, one of the goals of managed care is to reduce cost to the Medicaid system. For entities such as county authorities that receive much of their funding from government sources, this means that if an MCO declines to pay for a service the county authority must either use another source of funds or not provide the service. Since their contracts with DAODAS require that they furnish needed services this can mean cost shifting from Medicaid funding to state funds. When this occurs, the state must bear the full cost of the service rather than taking advantage of the Medicaid match rate.

Because MCOs have refused to authorize the amount of time for services that treatment specialists have deemed necessary one county authority has brought a suit against an MCO. The original case was ultimately dismissed when the court determined that the county authority did not have standing to sue. Subsequently, this same county authority has assisted a client in bringing suit against the MCO for denying reimbursement.

In 2008, Congress passed the Paul Wellstone and Pete Domenici Mental Health Parity and Addiction Equity Act (MHPAEA) to ensure equal coverage of treatment for mental illness and addiction. In November 2013, the federal government released rules to implement the law. Before this law, mental health treatment was typically covered at far lower levels in health insurance policies than physical illness. This law essentially states that mental health and addiction must be treated like other health issues. For most health care, the length and type of treatment are determined by the specialists providing the treatment. However, with managed care, the MCOs can contradict the recommendations of the providers and limit the duration of the treatment.

- **Legislative Recommendation**

The General Assembly should direct the Department of Health and Human Services to conduct or contract for a study regarding the effectiveness of managed care in efficiently providing services to clients when the service provider is a government funded entity.

### *I. Medicaid Matching Funds*

Proviso 37.3 directs DAODAS to transfer \$1,915,902 to the SC Department of Health and Human Services for Medicaid matching funds. Since this amount is less than the amount needed to pay the Medicaid match for the claims by the providers, DHHS covers the remainder of the amount needed for matching funds. The appropriation to DAODAS and subsequent transfer to DHHS seems unnecessarily cumbersome. DAODAS has expressed concern that if these funds were not included in the agency's budget SAMHSA might interpret this as a failure to maintain the state maintenance of effort. Without specific guidance from the appropriate federal authority, it is not clear that this would be an issue. Additionally, if the Alcoholic Beverage Excise Tax passed through DAODAS this should resolve the maintenance of effort issue.

- **Legislative Recommendation**

The General Assembly should include the Medicaid matching funds in the Medicaid appropriation to DHHS and include a proviso that they are to pay the match for claims by the Department of Alcohol and Other Drug Abuse Services providers. Additionally, to address state maintenance of effort concerns, the current appropriation of \$1.9 million could remain in the DAODAS budget but reallocated for a recurring needs such as infrastructure improvement.

## *J. Consolidation*

The 301 provider network in the state has already gone from the original 46 county authorities to 32. Newberry and Saluda counties consolidated their local county authorities as of July 2016.

Currently, Barnwell county and the counties which comprise Tri-county are considering merging their programs. The uneven distribution of resources and services throughout the state seems to indicate that there may be an opportunity for saving through additional consolidation of the programs. Creating and funding a central administrative authority in each of the regions might reduce the administrative costs incurred throughout the system since smaller county authorities must either hire staff or contract for many of these administrative services such as human resources, legal and billing etc. Also establishing a central regional authority could ensure greater uniformity in service delivery throughout the state and streamline reporting.

- **Agency Recommendation**

The Department of Alcohol and Other Drug Abuse Services should undertake a study and develop a proposal for future consolidation of the provider network that would effectively utilize resources to provide the greatest level of services.

## *K. Electronic Health Records (EHR)*

To comply with federal requirements including Health Information Technology for Economic and Clinical Health Act (HITECH), the local providers have adopted a system of Electronic Health Records to report patient information to the agency. When the current system was adopted, the Behavioral Health Services Association was allowed to select a system that the members preferred in lieu of the agency mandating a system. However, DAODAS reports that the EHR System adopted fails to comply with SAMHSA requirements and does not fully accomplish its intended purpose. A recent visit from SAMHSA noted several deficiencies in the records including an inability to track and report client level data. This was a specific concern with regard to priority clients, such as pregnant women and IV drug users, who are in need of immediate services. Failure to properly track and report client data could jeopardize federal funding and result in clients not receiving needed treatment in a timely manner.

- **Agency Recommendation**

The Department of Alcohol and Other Drug Abuse Services should determine if the current system can be revised to meet the data collection and reporting requirements of SAMHSA and the needs of the agency. If this can be done, the department should work with the vendor to update the current EHR system. If not, the department should begin the process of identifying and purchasing a system that is SAMHSA compliant and fulfills all of the tracking and reporting needs of the agency. All of the providers should be required to utilize the mandatory system in order to qualify for funding.

## *L. Required Deliverables*

The Department of Alcohol and Other Drug Abuse Services requires that the county authorities provide numerous “deliverables” to the agency. These are primarily data collection and reports. Although most of the reports are mandated by the federal government as grant conditions, some are imposed at the state level. The county authorities have indicated that the quantity of reports required can be burdensome. Some data collection and

reporting is needed to ensure service delivery meets all state and federal standards and allows for program analysis and improvement. However, it is unclear that all of the information collected is utilized or that it is transmitted in the most efficient manner.

- **Agency Recommendation**

The Department of Alcohol and Other Drug Abuse Services should review the list of deliverables required from the county authorities to determine which provide necessary information and which, if any, might be unneeded and/or capable of consolidation. Any deliverables that do not contribute to the monitoring, improvement or administration of services should be eliminated when possible. Also, the agency should to the extent possible seek to extract data from the EHR system in lieu of requiring additional reporting from the county authorities.

### *M. ADSAP Fees*

As noted earlier in the report, ADSAP clients are required to pay for their treatment which can range from \$500 to \$2,500. However, the law also states that services may not be denied due to an inability to pay nor may this be used as a factor in determining completion. Clients who are unable to pay must perform fifty hours of community service in lieu of payment and fulfillment of the community service requirement can be considered as a factor in determining successful completion of the ADSAP program. Statewide, only 2.3 percent of allowable fees were discharged in FY 2015 due to an inability to pay. In that year, five county authorities reported 82% of the fees written off in lieu of community service and fourteen county authorities did not report the waiver of any fees for community service. Three of the county authorities have still not provided data although the final report has been submitted to the General Assembly as required by law.

In 2016, sixteen county authorities have not reported any community service, and six of the authorities reported 85% of the community service hours completed. One county authority did report waiving \$72,692 in fees without reporting any community service. Since the law specifically states that, “an applicant who is unable to pay for services shall perform fifty hours of community service as arranged by the Alcohol and Drug Safety Action Program” waiving fees without the required community service does not comply with the intent of the law. It must be presumed that the General Assembly determined that community service in lieu of fees was needed to provide client commitment to the program. There appear to be multiple reasons for the absence of community service hours being performed in lieu of fees. In some cases, DAODAS states that the county authorities are unable to place qualifying individuals in appropriate community service positions due to liability concerns. Additionally, there may be a lack of a clear distinction between ability to pay and willingness to pay. The DAODAS ADSAP standards do indicate that clients should receive a financial assessment and that services should not be denied due to an inability to pay. The data suggests that this policy is not being uniformly applied throughout the state. Also, some county authorities have failed to submit the required reports for FY 2015 and 2016.

- **Agency Recommendation**

To ensure compliance with state law, the Department of Alcohol and Other Drug Abuse Services should ensure that all of the county authorities are uniformly qualifying clients as indigent and unable to pay. The department should also require all reports to be submitted in a timely manner and determine if the reporting is being done correctly. DAODAS should also require that an option for community service is in place and made available by the county authorities before certifying their ADSAP program. Finally, the department should utilize anomalies in the data collected to initiate corrective action to the program.