



North Carolina Department of Health and Human Services
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Michael F. Easley, Governor

Carmen Hooker Odom, Secretary

August 17, 2007

Senator Martin Nesbitt, Jr.
NC General Assembly
Legislative Office Bldg. - Room 300-B
Raleigh, North Carolina 27603

Representative Verla Insko
NC General Assembly
Legislative Office Bldg. - Room 307-B1
Raleigh, North Carolina 27603

Dear Senator Nesbitt and Representative Insko:

I very much appreciate your willingness to engage in numerous conversations over the last several weeks with members of my staff and the Governor's staff concerning the delivery of mental health services in North Carolina. We initiated these talks because the Governor and I are concerned that the current governance structure does not allow for wise administration of the state mental health system. Twenty-five separate "Local Management Entities" (LMEs) manage the system, each with its own governing board, financial practices and management structure. Not only is this an inefficient design, the independence of the LMEs prevents the state from exercising sufficient oversight to ensure that LMEs are consistently and equitably providing the services needed by consumers and wisely using state funds.

For these reasons, we asked that in your capacity as chairs of the appropriate General Assembly committees, you agree to revise the governing law in two respects. First, we asked you to allow the Secretary of Health and Human Services to affect consolidation of LMEs where appropriate. The 25 LMEs serve vastly different populations. Some manage their responsibilities effectively; others do not. Reducing the number of LMEs will reduce administrative expenses, streamline service delivery, and allow dollars to be redirected to patient services. It will markedly increase the accountability of the system. Indeed, this was an original goal of the 2001 reform.

We also asked you to give the Secretary authority to step in decisively and quickly when a LME has been unable or unwilling, or continually fails to meet its responsibilities. If a LME cannot serve the patients in an area, it must be replaced. If another LME or another nonprofit, or the state itself, can better serve patients, we must look to those that can do the job.

I know you understand these points. However, you were unable to move forward with these changes during the past session of the General Assembly because of your concerns about



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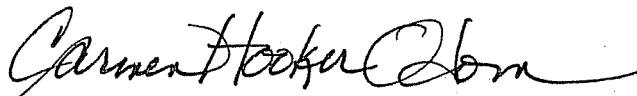
the importance of local decision making. We understand and agree that there are many benefits to local management. Indeed, we must have strong local input and appropriate local management so that the particular needs of an area are taken into account. However, this must not be at the expense of consistent and uniform access by consumers to quality mental health services across the state. Nor can it be at the expense of accountability for the use of state funds.

On one point, we all agree. We must work cooperatively together – the State and the LMEs, and the Executive and Legislative branches, to accomplish these ends. At the Governor's direction, between now and the short session of the General Assembly, under the leadership of the new Secretary, Dempsey Benton, the Department will conduct an analysis of the LMEs with the goals of determining (1) the most appropriate way to reduce the number of LMEs to a level which is administratively efficient and locally responsive, and (2) whether certain LMEs are able to perform adequately. In addition, the Department will take steps to better clarify the responsibilities of LMEs and to provide systematic business tools to make the LMEs more efficient and accountable. For example, there is no reason for each LME to purchase its own accounting system, or develop its own contracts.

The Department will work with the LMEs and with the General Assembly to ensure that the most effective choices are made to accomplish these ends. If, as it now appears necessary, legislative action continues to be needed, there will again be a request for authority to ensure that the LMEs are appropriately consolidated and are accountable to the State for the funds they receive and the patients they serve.

Over \$2 billion of public money is invested in the care of those with mental illness. We owe it to them to invest that money wisely. We cannot allow an inefficient system and a lack of accountability to stand in the way of care to those who need it.

Sincerely,



Carmen Hooker Odom

cc: The Hon. Michael F. Easley, Governor
The Hon. Joe Hackney, Speaker of the House
The Hon. Marc Basnight, President Pro Tempore
Franklin Freeman, Senior Assistant for Governmental Affairs
Alan Hirsch, Policy Director
Dempsey Benton, Secretary Designate, DHHS

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