



NEW RIVER BEHAVIORAL HEALTHCARE

October 12, 2011

Statement from Patricia Andrews

CEO New River Behavioral HealthCare

On August 15th, 2011, while closing out the financial year-end, it was determined by New River's Chief Financial Officer (CFO) that there was a significant financial shortfall for New River Behavioral HealthCare (NRBHC) for the fiscal year of 2010/2011. The CFO reported to Pam Andrews, NRBHC's Chief Executive Officer (CEO), that after further evaluation, the loss instead was approximately \$1,000,000. As soon as this information was made known, Ms. Andrews and New River's EMT took immediate action to evaluate and address the unexpected situation.

New River's Executive Management Team (EMT) had been informed by the CFO as recently as August 3, that the FY 2010/2011 loss was approximately \$200,000. While any loss is undesirable, this figure appeared to represent a manageable situation that could be addressed through revisions of the existing business plan and increased efficiency of service delivery. Reimbursement trends for almost all services were found to be increasing steadily, and some newer services were beginning to generate a dependable level of revenue after the expectedly slow initial startup.

EMT began by reviewing and analyzing the financial data that were provided. EMT immediately requested that the firm of Wilson and Associates, led by Ann Wilson, C.P.A. an experienced leader in North Carolina behavioral healthcare finance, come onsite and assist with the situation. Ms. Wilson conducted a cursory review and estimated the loss to be even worse: approximately \$3,000,000. She then recommended that EMT contact New River's external audit firm (Lowdermilk, Church and Co.) with whom New River has worked closely for three years to assist in achieving an accurate financial data and to move forward with the already scheduled fiscal year 2010/2011 audit.

A critical part of the accountants' evaluation process has included forensic accounting and a review of every number for possible malfeasance or misappropriation of funds – to date none has been found. As the investigation has continued during NR's financial evaluation, it is suspected that the financial loss may extend into the fiscal year of 2009/2010.

Based on preliminary loss estimates of \$3,000,000, Ms. Wilson recommended that New River develop and implement an entirely new business plan requiring swift and strategic organizational and service delivery changes. This new business plan had been approved by the NRSA Board's Finance Committee mid-September to be presented to the full board at the September board meeting. However, this meeting was rescheduled for October and then canceled when the county boards of commissioners from Alleghany, Ashe, Avery, Watauga and Wilkes Counties began considering a resolution to disband the NRSA Board and ultimately NRBHC.

Based on the new business plan, the first decision was to close New River's offices in the Central Region (Alexander, Caldwell, and McDowell counties). At the request of Smoky Mountain Center,

New River agreed to extend services into the Central Region in 2008 to provide services to the many consumers abandoned by a previous provider. Losses in those three counties proved to be substantial.

NRBHC Board made the decision at its meeting on August 25 to close the Central Region offices effective September 2011. Notification of this decision was made to Smoky Mountain Center immediately, and letters of notification were sent to all consumers and stakeholders affected by this decision by the end of August. As part of the transition plan, New River staff continued to be available for both telephone and on-site, face-to-face consultation, and crisis services through September 30, 2011.

Additional agency-wide decisions and changes have included a reluctant reduction in staff to reduce overhead expenses and, after careful evaluation, a streamlining of services and their delivery to consumers.

On September 22, 2011, a new complication arose when New River received notification from the Department of Medical Assistance (DMA) that there would be an investigation of a “credible complaint of fraud.” NRBHC responded immediately to the notification and has cooperated with DMA in every way to expedite their investigation and achieve a prompt reinstatement of funding.

Fraud is an alarming word on its own and is compounded when it is accompanied by financial concerns. An accusation of fraud can result from something as simple as a document that hasn't yet been uploaded to a patient's file or from much more complex and even illegal actions. New River has done nothing illegal.

Because of this accusation the DMA was obligated by law to withhold Medicaid payments to New River until the investigation can be completed. This was a severe blow to New River, severely affecting the ability to survive existing financial strains and complete the necessary reconstruction.

Smoky Mountain Center (SMC) is the Local Management Entity (LME) for New River Behavioral HealthCare in Alleghany, Avery, Ashe, Watauga and Wilkes counties. Crossroads is the LME for New River in Yadkin, Iredell and Surry counties. Both LMEs are charged with dispersing state funds earned by New River for services delivered to consumers.

SMC has reimbursed New River for services provided since July 1, 2007. These allocations for services were paid on the 15th of each month to New River. During the last few months, SMC did pay these allocations a few days earlier to assist New River with cash flow issues. Also, Crossroads generously advanced \$766,376 to New River based on previous years' services and New River's earnings. These alterations in payment schedule were provided to allow New River time to rebuild its fund balance through new efficiencies in the financial plan, though did not provide New River with any money it was not already contracted to receive.

New River has undergone a yearly financial audit as a routine part of its operations. Audits are shared as soon as they are completed with the New River Service Authority Board, which includes one member from each of the five County Commission Boards associated with the 160A organization: Alleghany, Ashe, Avery, Watauga and Wilkes. Copies of all audits are public records and made available upon request. They are available for all years through the last completed one for FY 2009-2010. The audit for FY 2010-2011 is already in process, as noted earlier.

Another concern expressed has to do with the use of county funding. County funding is paid through the budget controlled by Smoky Mountain Center, and has been applied to services that are essential to our communities but typically do not pay for themselves. These consist largely of our psychiatric services, by which hundreds of county residents are able to access specialized psychiatric care that otherwise would be very limited in availability and more expensive than many consumers would be able

to afford. Additionally, these county contributions have allowed New River staff to participate in county projects, un-billable consultation, and education services to the community.

There remain questions about how the present circumstances developed with internal oversight, regular financial audits, and a commitment by New River management to serve the public good. New River Behavioral HealthCare has served for several years as the only public, non-profit provider of mental health, substance abuse, and developmental disabilities services in the state of North Carolina. It has been a role our staff has valued and has represented a commitment to public service by the entire organization.

It is both painful and frustrating that we now face an end to our organization and to that commitment. This disappointment is compounded by the suspicions and confusion raised by allegations of fraud. The staff of New River knows that this is not an accurate reflection of our organization or its values. We hope that these values carry on through the staff and into serving our communities and citizens. We have much to be proud of, and will always remember the thousands of lives that have benefited from our services over the past 45 or so years.

We wish our communities well and regret that New River Behavioral HealthCare has come to an end.