



COMMONWEALTH of VIRGINIA

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January 9, 2024

To: The Honorable Janet D. Howell,
Co-Chair, Senate Finance & Appropriations Committee

The Honorable George L. Barker,
Co-Chair, Senate Finance & Appropriations Committee

The Honorable Barry D. Knight,
Chair, House Appropriations Committee

From: Nelson Smith,
Commissioner, Department of Behavioral Health and Developmental Services

Re: Item 311.MM., 2023 Appropriations Act

Item 311.MM of the 2023 Appropriations Act directs the Department of Behavioral Health and Developmental Services (DBHDS) to evaluate potential public-private partnership arrangements for the Catawba Hospital Transformation Plan. The language reads:

MM. Out of this appropriation, \$500,000 the second year from the general fund shall be provided for the Department of Behavioral Health and Developmental Services to evaluate public-private partnership arrangements for the Catawba Hospital Transformation Plan or other potential alternatives for the provision of behavioral health or substance use disorder services, including private sector options. This shall include, but not limited to, potential public-private partnerships to manage and operate a substance use disorder facility and to manage a new residential treatment program and outpatient facility. The Department shall assess how the surrounding localities and their local law enforcement agencies may work together to share efforts in transporting and taking custody of individuals under an emergency custody order or temporary

detention order who would otherwise be transported to Catawba. Additionally, the Department shall consult with the Opioid Abatement Authority to assess if and how the surrounding localities may pool their opioid settlement funds to aid in the Catawba Hospital Transformation Plan. The Department shall report their preliminary findings to the Chairs of the House Appropriations and Senate Finance and Appropriations Committees by December 1, 2023, and submit a final report by July 1, 2024.

In January 2023, DBHDS provided a report on the Catawba Hospital Transformation Plan, conducted by contractor JLL. The report included data analysis incorporating workforce, operational, administrative, capital requirements and considerations to deliver substance use disorder treatment and recovery services. The Plan recommended the transformation of the Catawba Hospital campus into a state-of-the-art substance use disorder treatment and recovery services center capable of providing long-term, short-term, acute, and outpatient facilities to individuals in need of substance abuse disorder services. The report can be found on the General Assembly website at the following link:
<https://rga.lis.virginia.gov/Published/2023/RD64/PDF>.

Budget language passed in September 2023 directed DBHDS to evaluate public-private partnership arrangements for the Catawba Hospital Transformation Plan or other potential alternatives for the provision of behavioral health or substance use disorder services, including private sector options, along with other requirements. The evaluation is due by July 1, 2024.

DBHDS is currently finalizing a Request for Proposal (RFP) for a private-sector contractor to perform the study of the proposed facility and new programs on the grounds of the existing Catawba Hospital in Roanoke County or other potential alternatives including private sector options. The primary issues that are to be included in the study are contained in the Scope of Work portion of the RFP and are outlined below.

- The contractor will determine the type of Public-Private Partnership (PPP) that would be optimal for this type of project. There are several ways that a PPP can be assembled, including different entities funding the building or renovation, the entities owning or leasing the property, and responsibilities for staffing and operation. Determining the effective type of partnership will be a key function of this contractor.
- The contractor will identify potential partners with experience in the provision of substance use disorder treatment who would be willing to partner with DBHDS in the development and operation of the program. This will include assessment of the willingness of the identified partner to fund or assist with funding of the necessary construction as well as the staffing and operations of the program.

The provision of services shall include management and operation of a substance use disorder facility, a new residential treatment program, and an outpatient facility.

- The contractor will need to evaluate and make recommendations on any needed Code changes since DBHDS has not recently operated any inpatient SUD (substance use disorder) units. This would include assessment of how the current civil commitment laws would be operationalized in this environment.
- The contractor will explore the resources and options related to the Opioid Abatement settlement and feasibility of localities pooling of opioid settlement funds as noted in the budget language.
- The contractor will also explore and report on the issue of the linkage with law enforcement. Item 283 of the 2022 Appropriations Act directed the Secretary of Health and Human Resources to “contract for a feasibility analysis to transform the Catawba Hospital campus into a state-of-the-art campus at which a continuum of substance abuse treatment and recovery services, including long-term, short-term, acute and outpatient services, is provided in addition to the array of behavioral health services currently provided to the individuals in need of behavioral health care services.” The Secretary of Health and Human Resources, in coordination with DBHDS, contracted with JLL to perform that feasibility analysis. The JLL study outlined several options with the goal of providing the treatment continuum while leveraging PPP.
- The contractor shall assess how the surrounding localities and their local law enforcement agencies may work together to share efforts in transporting and taking custody of individuals under an emergency custody order or temporary detention order who would otherwise be transported to Catawba Hospital. Substance-use disorder and opiate treatment is not typically a well-reimbursed aspect of treatment so the contractor will also study methods and offer recommendations for funding the operation of the program, differentiating between inpatient and outpatient models, private pay, and other financial models.
- The contractor will include in the study the reasons and rationale for it being located in the Roanoke area in terms of treatment needs across the Commonwealth. JLL addressed this in their study; however, the most current data available on opioid and other substance use disorder treatment, overdoses, and demographics, such as recent data from the Virginia Department of Health, will help provide further details the treatment program is optimally located.
- The contractor will partner with agencies and organizations within the region to avail themselves of studies and projects related to opioid and other substance use

and risk already completed or underway in the area. For example, engagement with Roanoke Valley Response and their partners will need to continue.

DBHDS plans to release the RFP by mid-January and anticipates completion of the study by May 30, 2024, in time for review and submission to the General Assembly by July 1, 2024. In the meantime, DBHDS staff will be available to answer any questions you may have.