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Unfilled beds for addicts cost Jersey \$1.6 million

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Parole Board officials say the state has spent as much as \$1.6 million over the last two years for addiction treatment beds that went unfilled, under a contract that requires payment upfront whether the services are used or not.

The state Parole Board, through the Department of Human Services, has a \$2.7 million contract for 115 inpatient beds at privately run drug treatment centers around the state. But it has paid about \$800,000 a year for nothing because 30 percent of those beds went empty, board Chairman John D'Amico said in a recent letter to Human Services Commission Kevin Ryan.

The vacancy rate in the program for addicts leaving prison has risen over the last two years, according to parole officials. During that time they have unsuccessfully tried to negotiate with Human Services' Division of Addiction Services to reduce the number of beds for which they have to pre-pay from 115 to 81.

Parole wants to pay for the remaining 34 beds as parolees use them -- and had drawn up an agreement with former Human Services Commissioner James Davy to do just that. But that deal has been put off, according to D'Amico's letter, obtained by The Star-Ledger.

Treatment agencies prefer to be paid upfront so they know how many beds and how much staff they will need to provide.

With no agreement in sight, and pressure from Treasury to save money, D'Amico asked Ryan to intervene. Otherwise, the letter said, the Parole Board will cut its share of the Human Services contract by \$800,000 a year and look to arrange a separate agreement with a treatment agency to provide the remaining beds on an as-needed basis.

"We cannot allow valuable tax dollars to be wasted while at the same time depriving ex-prisoners the substance abuse treatment they require in order to reintegrate successfully into society," according to the March 16 letter.

The flap is the latest controversy involving the troubled division, already the target of a state Inspector General's investigation into no-bid contracts. Division director Carolann Kane-Cavaiola was suspended with pay pending the outcome of an inquiry involving her and contracts awarded to the Addiction Treatment Providers of New Jersey, the trade association she once led.

Her replacement, acting Addiction Services Director James Smith, expressed confidence yesterday he will be able to broker a compromise between the Parole Board and treatment agencies.

Representatives of the trade association also said they will cooperate. But they want to make sure state officials don't overlook the larger problem: why the vacancies exist when the programs are so sorely needed.

"We should talk about filling the beds, not the funding mechanism," said David Kerr, president of Integrity House, a Newark-based drug treatment program. "The problem is Parole has difficulty filling the beds -- I

guess because of the bureaucracy."

"It's not fair to have a waiting list of people ... sitting in jails costing taxpayers more. The treatment bed is less costly than the jail bed," Kerr said.

Parole Board spokesman Edward Bray acknowledged the referral process from jail to treatment program is not always smooth. "Some of the systems established -- how people get referred, when they go to the program -- have created some difficulties," he said.

The Parole Board is encouraged that Ryan and Smith responded to D'Amico's letter and have scheduled negotiations, Bray said.

"Given the fiscal environment, we really want to get this to work better. It is a needed service," Bray said. "We have someone on the other side of the phone interested in resolving it now."

This is not the first time the state has been scrutinized for paying for services not rendered. Under the child welfare reform plan, the division spent about \$1.6 million of \$5.7 million in contracts for empty beds at programs serving addicted parents in 2004 and 2005. At the time, Kane-Cavaiola said the upfront funding helped get new programs off the ground and pay for capital improvements at the treatment facilities that a fee-for-service payment method would not cover. Recent state data show nearly all of those beds are now filled.

Smith has some experience retooling complicated and controversial contracts.

Three years ago, Smith, then the interim department's commissioner, rewrote a \$12.5 million contract with the now-defunct Lipman Hall that originally paid its operator \$847,000 a month to serve 80 emotionally disturbed teenage boys, regardless of how many were actually there.

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