

AGENDA

BAY ARENAC BEHAVIORAL HEALTH BOARD OF DIRECTORS FINANCE COMMITTEE MEETING

Wednesday, September 11, 2024 at 5:00 pm

Room 225, Behavioral Health Center, 201 Mulholland Street, Bay City, MI 48708

Committee Members:	Present	Excused	Absent	Committee Member	Present	Excused	Absent	Others Present:
Tim Banaszak, Ch	_____	_____	_____	Pam Schumacher	_____	_____	_____	BABH: Marci Rozek, Chris Pinter, and Sara McRae Legend: M-Motion; S-Support; MA-Motion Adopted; AB-Abstained
Sally Mrozinski, V Ch	_____	_____	_____	Pat McFarland, Ex Off	_____	_____	_____	
Jerome Crete	_____	_____	_____	Robert Pawlak, Ex Off	_____	_____	_____	
Christopher Girard	_____	_____	_____	Richard Byrne, Ex Off	_____	_____	_____	
Kathy Niemiec	_____	_____	_____					

	Agenda Item	Discussion	Motion/Action
1.	Call To Order & Roll Call		
2.	Public Input (Maximum of 3 Minutes)		
3.	Investment Earning Reports for Period Ending August 31, 2024		3) Consideration of motion to refer the investment earnings reports for period ending August 31, 2024 to the full Board for information
4.	Contracts 4.1) Finance September 2024 Contract List		4.1) Consideration of motion to refer the Finance September 2024 contract list to the full Board for approval
5.	Unfinished Business 5.1) None		
6.	New Business 6.1) Fiscal Year (FY) 2024 Final Budget Amendment 6.2) Michigan Municipal Risk Management Authority (MMRMA) Notice of Net Asset Distribution		6.1) Consideration of motion to refer the FY 2024 final budget amendment resolution to the full Board for approval 6.2) No action necessary

AGENDA

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BOARD OF DIRECTORS
FINANCE COMMITTEE MEETING

Wednesday, September 11, 2024 at 5:00 pm
Room 225, Behavioral Health Center, 201 Mulholland Street, Bay City, MI 48708

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	6.3) FY 2024 Medicaid Revenue & Expense Gaps		6.3) No action necessary
7.	Adjournment	M -	S - pm MA

Bay-Arenac Behavioral Health Authority
Estimated Cash and Investment Balances August 31, 2024

Balance August 1, 2024	4,079,042.72
Balance August 31, 2024	7,141,400.10
Average Daily Balance	4,452,760.88
Estimated Actual/Accrued Interest August 2024	15,755.04
Effective Rate of Interest Earning August 2024	4.25%
Estimated Actual/Accrued Interest Fiscal Year to Date	207,905.33
Effective Rate of Interest Earning Fiscal Year to Date	4.19%

Note: The Cash and Investment Balances exclude Payroll and AP related Cash Accounts.

Cash Available - Operating Fund

	Rate	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24
Beg. Balance Operating Funds - Cash, Cash equivalents, Investments		3,431,903	4,022,437	3,285,926	8,549,839	7,456,274	7,733,635	3,167,316	6,109,840	6,146,590	5,488,296	1,050,935	4,168,174
Cash in		12,694,585	11,257,050	21,945,755	11,552,037	11,480,507	4,835,627	19,658,739	13,131,069	13,733,115	3,521,802	21,031,319	18,649,095
Cash out		(12,104,052)	(11,993,562)	(16,681,841)	(12,645,602)	(11,203,146)	(9,401,946)	(16,716,214)	(13,094,320)	(14,391,408)	(7,959,163)	(17,914,080)	(16,135,454)
Ending Balance Operating Fund		4,022,437	3,285,926	8,549,839	7,456,274	7,733,635	3,167,316	6,109,840	6,146,590	5,488,296	1,050,935	4,168,174	6,681,815
Investments													
Money Markets		4,022,437	3,285,926	8,549,839	7,456,274	7,733,635	3,167,316	6,109,840	6,146,590	5,488,296	1,050,935	4,168,174	6,681,815
90.00													
180.00													
180.00													
270.00													
270.00													
Total Operating Cash, Cash equivalents, Invested		4,022,437	3,285,926	8,549,839	7,456,274	7,733,635	3,167,316	6,109,840	6,146,590	5,488,296	1,050,935	4,168,174	6,681,815
Average Rate of Return General Funds		2.69%	3.82%	3.96%	4.01%	4.04%	4.05%	4.08%	4.08%	4.08%	4.08%	4.08%	4.08%
		3.71%	3.82%	4.09%	4.13%	4.11%	4.10%	4.24%	4.08%	4.05%	4.08%	4.05%	4.08%
average		4,808,545	3,285,926	5,917,883	6,430,680	6,756,419	6,038,598	6,050,472	6,064,203	5,992,215	5,443,183	5,315,682	5,439,876

Cash Available - Other Restricted Funds

	Rate	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24
Beg. Balance-Other Restricted Funds - Cash, Cash equivalents, Investments		437,156	438,953	440,817	442,629	444,508	446,396	448,169	450,072	451,922	453,841	455,706	457,642
Cash in		1,797	1,864	1,812	1,880	1,888	1,773	1,903	1,850	1,919	1,865	1,935	1,943
Cash out													
Ending Balance Other Restricted Funds		438,953	440,817	442,629	444,508	446,396	448,169	450,072	451,922	453,841	455,706	457,642	459,585
Investments													
Money Market		438,953	440,817	442,629	444,508	446,396	448,169	450,072	451,922	453,841	455,706	457,642	459,585
91.00	0.70%												
91.00	1.10%												
91.00	1.15%												
91.00	1.35%												
90.00	1.70%												
91.00	2.05%												
90.00	2.15%	-	-	-	-	-	-	-	-	-	-	-	-
365.00	80.00%												
Total Other Restricted Funds		438,953	440,817	442,629	444,508	446,396	448,169	450,072	451,922	453,841	455,706	457,642	459,585
Average Rate of Return Other Restricted Funds		3.97%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
		5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
average		430,073	440,817	441,723	442,651	443,587	444,504	445,432	446,359	447,294	448,229	449,170	450,117
Total - Bal excludes payroll related cash accounts		4,461,390	3,726,743	8,992,468	7,900,782	8,180,031	3,615,485	6,559,912	6,598,512	5,942,137	1,506,641	4,625,816	7,141,400
Total Average Rate of Return		2.58%	4.04%	4.08%	4.20%	4.21%	4.17%	4.20%	4.19%	4.19%	4.18%	4.19%	4.19%

Bay-Arenac Behavioral Health
Finance Council Board Meeting
Summary of Proposed Contracts
September 11, 2024

		Old Rate	New Rate	Term	Out Clause?	Performance Issues? (Y/N) Risk Assessment Rating (Poor/Fair/Good/Excellent)
SECTION I. SERVICES PROVIDED BY OUTSIDE AGENCIES						
Clinical Services						
1	S	Michigan Rehabilitation Services (MRS) Cash Match Agreement	\$15,000/year	Same	10/1/24 - 9/30/25	Y N/A
2	R/S	Memorandum of Understanding Respite Camps: Methodist Children's Home Society - Fowler AFC and Fowler Center for Outdoor Learning Camp Linden through Girl Scouts Heart of Michigan Camp Fish Tales Indian Trails Camp	Rates vary for each camp per individualized needs.	Rates vary for each camp per individualized needs.	10/1/24 - 9/30/25	Y N
3	N	Kathleen Buday Art Therapy	\$0	\$100/session	10/1/24 - 9/30/25	Y N/A
4	M	Nutrition for Wellness In-service of existing Nutritional Plans to new providers	\$0	\$62.50/plan	8/26/24-9/30/24	Y N
5	R	Lighthouse FY25 Residential treatment services to 4 individuals: Residential per diem(s) Psych evaluation Med review (level 3) Individual therapy 38-52m Group therapy CLS 1:1 staffing OT/Speech indiv. therapy OT/Speech evaluations	\$617.84/day, \$616.30/day, \$641.97/day & \$620.86/day \$487/event \$293/event \$212.25/event \$154/event \$37.40/hour \$73.25/15 min \$380/event	\$662.36/day (+16 hours of 1:1 staffing), \$639.56/day, \$643.36/day & \$641.46/day \$504/event \$126-\$378/event \$220.50/event \$160/event \$39/hour \$76/15 min \$394/event	10/1/24 - 9/30/25	Y N
Admin/Other Services						
6	R	Sage Software Benefits Messenger	\$5,130/year	\$5,640/year	10/1/24-9/30/25	Y N
7	S/ES	Peter Brian Barry Ethicist services	\$125/hour	Same	10/1/24-9/30/25	Y N
8	S/ES	Professional Insurance Consultants - Pam Pulley Consulting services Medical Documentation Audit	\$100/hour \$20/date of service/visit	Same	10/1/24-9/30/25	Y N
SECTION II. SERVICES PROVIDED BY THE BOARD (REVENUE CONTRACTS)						
SECTION III. STATE OF MICHIGAN GRANT CONTRACTS						
SECTION IV. MISC PURCHASES REQUIRING BOARD APPROVAL						

R = Renewal with rate increase since previous contract
D = Renewal with rate decrease since previous contract
S = Renewal with same rate as previous contract
ES = Extension

M = Modification
N = New Contract/Provider
NC = New Consumer
T = Termination

Footnotes:

Bay-Arenac Behavioral Health Authority
Report to Board of Directors
September 19, 2024
Final Budget - Fiscal Year 2023/24

FY 23/24 Original Revenue Budget	\$ 67,283,901	FY 23/24 Original Expense Budget	\$ 67,105,184	
Net Increase in Medicaid Subcontract Revenue	6,672,948	Net Decrease in Personnel Costs	(164,534)	Due to Vacant Positions
Increase in 3rd Party Insurance Revenue	43,404	Net Increase in External Healthcare Claim Costs	5,562,575	Increased Utilization for Inpatient Hospitalization, Community Living Support Services and ABA Services
Decrease in Grant Revenue	(49,045)	Increase in Contract Physician Costs	542,711	Contracts for Psychiatry time
Miscellaneous decreases	(46,872)	Miscellaneous increases	111,134	
FY 23/24 FINAL Revenue Budget	<u>\$ 73,904,336</u>	FY 23/24 FINAL Expense Budget	<u>\$ 73,157,070</u>	

BAY-ARENAC BEHAVIORAL HEALTH AUTHORITY
Fiscal Year 2023-2024 Operating Budget
Final Budget

ACCOUNT	DESCRIPTION	FY 23-24 Final Budget	Percent of Total	FY 23-24 Original Budget
44100	OBRA.....	286,073	0.4%	287,000
40220	General Fund	1,676,053	2.3%	1,702,823
42110	P.A. 423/Client Fees.....	389,779	0.5%	346,375
43910	SSI.....	75,090	0.1%	68,879
40110	Medicaid - PIHP.....	68,620,934	92.9%	61,947,986
44000	Grants.....	214,725	0.3%	263,770
47106-47206	County of Arenac - General.....	104,812	0.1%	104,812
47109-47209	County of Bay - General.....	682,242	0.9%	682,242
48000	Interest.....	316,577	0.4%	114,912
49600-49700	Miscellaneous Revenue.....	463,440	0.6%	470,634
45000-46000	Miscellaneous Revenue From Partnership.....	1,074,610	1.5%	1,294,467
TOTAL REVENUE		73,904,336	100.0%	\$67,283,901

BAY-ARENAC BEHAVIORAL HEALTH AUTHORITY
Fiscal Year 2023-2024 Operating Budget
Final Budget

ACCOUNT	DESCRIPTION	FY 23-24 Final Budget	Percent of Total	FY 23-24 Original Budget
60000	Salary (Direct & Indirect).....	14,568,328	19.9%	14,432,697
61000	Fringe Benefits.....	<u>4,699,208</u>	6.4%	<u>4,997,529</u>
60000-61000	Salary (direct & Indirect) + Fringe Benefits	19,267,536	26.3%	19,430,226
80100	Board Per Diem.....	33,548	0.0%	35,306
80120	Board conference and travel.....	20,893	0.0%	20,978
	TOTAL PERSONNEL SERVICES	\$19,321,976	26.4%	\$19,486,510
71200	Consumer food, clothing, etc.....	2,899	0.0%	2,475
71210	Consumer activities.....	3,873	0.0%	6,355
71220	Public Transportation.....	24,852	0.0%	12,078
72100	Contract physician costs.....	1,479,605	2.0%	936,893
72800	Staff travel, service related.....	94,871	0.1%	71,379
73200	Transportation.....	104,351	0.1%	85,472
74200	Grant specific cost.....	11,896	0.0%	0
74300	Nongrant expense.....	0	0.0%	60
75100	Professional Services - Other.....	144,523	0.2%	224,746
78000	Facility Allocation.....	0		0
78100	Rental Space.....	233,445	0.3%	232,181
78200	Rental Equipment.....	4,434	0.0%	4,123
78300	R & M Supplies.....	101,461	0.1%	88,474
78400	Janitorial services.....	95,434	0.1%	94,671
78500	Public Utilities.....	98,625	0.1%	98,404
78700	Communications.....	136,120	0.2%	130,694
79200	Prior Fiscal Year Expense.....	3,327	0.0%	0
80300	Consumer compensation.....	2,710	0.0%	3,180
80320	Consumer conference and travel.....	329	0.0%	304
81000	Temporary staffing cost.....	9,672	0.0%	0
81200	Staff conference and travel.....	96,827	0.1%	71,760
81220	Staff development and training.....	61,214	0.1%	43,742
81240	Staff recruitment expenses.....	8,013	0.0%	5,978
81260	Employee health services.....	6,948	0.0%	8,230
81900	Supply Allocation.....	24,011	0.0%	25,906
82000	Operating Supplies.....	81,121	0.1%	97,647
82100	Mobile communications.....	110,383	0.2%	115,688
82200	Office Supplies.....	122,614	0.2%	77,813
82300	Postage.....	14,706	0.0%	18,422
82900	Computer/Communication Related Exp.....	0	0.0%	0
83000	Community Education.....	1,176	0.0%	0
83100	Consumer info and printing.....	0	0.0%	8,151
83300	Public relations and advert.....	7,026	0.0%	5,447
84000	Legal and consulting.....	18,051	0.0%	25,313
84100	Accounting and audit.....	28,147	0.0%	27,445
85000	Purchased services.....	53,205	0.1%	22,060
86000	Software license maintenance.....	732,359	1.0%	695,045
87000	Subscriptions and publications.....	76	0.0%	602
87100	Memberships and Dues.....	20,854	0.0%	24,657
88000	Licensing and accreditation.....	5,303	0.0%	6,203
89100	General & Professional liab insurance.....	120,224	0.2%	73,093
92100	Local Funds Paid to State.....	214,872	0.3%	214,872
93000	Interest Expense.....	8,237	0.0%	8,721
94000	Gain/Sale on Capital Asset.....	(10,652)	0.0%	0
	BABH Contractual Healthcare Costs	49,333,746	67.4%	43,771,171
	SUBTOTAL EXPENDITURES	\$53,610,888	73.3%	\$47,339,456
95000	DEPRECIATION EQUIPMENT.....	216,474	0.3%	262,813
78250	MINOR EQUIPMENT.....	7,732	0.0%	16,405
	TOTAL EXPENDITURES	\$73,157,070	100%	\$67,105,184

BAY-ARENAC BEHAVIORAL HEALTH AUTHORITY
Fiscal Year 2023-2024 Operating Budget
Final Budget

SETTLEMENT ACTIVITY	FY 23-24 Final Budget
NET SURPLUS BEFORE SETTLEMENT	\$ 747,265
<u>Current Year Savings</u>	
Net Medicaid	-
General Fund Savings	-
General Fund Lapse	-
TOTAL FUND BALANCE INCREASE/(DECREASE)	\$ 747,265
Restricted	-
Unrestricted, FY24 Increase	1,293,536
Unrestricted, FY24 usage	(546,271)
TOTAL FUND BALANCE INCREASE/(DECREASE)	\$ 747,265
UNRESTRICTED FUND BALANCE 10/1/23	\$ 5,391,345
Budgeted Increase to Unrestricted Fund Balance	1,293,536
Budgeted Usage of Unrestricted Fund Balance	(546,271)
Requested Usage of Funds Restricted for Capital Purposes	
TOTAL UNRESTRICTED FUND BALANCE 9/30/24	\$ 6,138,610

BAY-ARENAC BEHAVIORAL HEALTH AUTHORITY
Fiscal Year 2023-2024 Operating Budget
Capital Expenditures
Final Budget

<u>Location</u>	<u>Description</u>	<u>Cost</u>
Total Capital Expenditure Budget		\$ -



BAY ARENAC BEHAVIORAL HEALTH AUTHORITY
BOARD OF DIRECTORS

Resolution #24-09-0XX

**FINAL AMENDMENT TO THE ANNUAL OPERATION BUDGET FOR FISCAL YEAR ENDING
SEPTEMBER 30, 2024**

WHEREAS, The annual operating budget for fiscal year ending September 30, 2024 was adopted at a special meeting of the Bay Arenac Behavioral Health Authority Board of Directors held on September 27, 2023 by Resolution #23-09-011, and;

WHEREAS, Additional Medicaid revenue sources and expense trends currently warrant a budget amendment incorporating increases related to inpatient hospitalizations, community living support services, autism services, and contract physician services, and;

WHEREAS, Bay Arenac Behavioral Health Authority continues to focus on community demand and support needs while providing quality care to individuals receiving specialty behavioral health services, and;

WHEREAS, The Chief Executive Officer has submitted to the Bay Arenac Behavioral Health Authority Board of Directors an amendment, which increases the overall annual operating budget for fiscal year ending September 30, 2024, and;

WHERE AS, It is the opinion of the Bay Arenac Behavioral Health Authority Board of Directors that the amended operating budget as adopted complies with the Uniform Budget and Accounting Act, Public Act 621 of 1978.

THEREFORE, BE IT RESOLVED THAT:

The Bay Arenac Behavioral Health Authority Board of Directors adopts the following schedule of operating revenues, transfers, and expenditures:

<u>General Operating Budget</u>	
Beginning Unrestricted Fund Balance:	\$ 5,391,344
Projected Revenues and Transfers-In:	\$ 73,904,336
Projected Expenses and Transfers-Out:	\$ (73,157,070)
Projected Ending Unrestricted Fund Balance:	\$ 6,138,610

This resolution was adopted at a regular meeting of the Bay Arenac Behavioral Health Authority Board of Directors held on September 19, 2024 pursuant to the Open Meetings Act, Public Act 267 of 1976, as amended, on a motion by XXX and supported by XXX with the following votes:

Yeas:
Nays:
Excused:

Richard Byrne, Board Chair

Christopher Girard, Board Secretary



RECEIVED

AUG 26 2024

MICHIGAN MUNICIPAL
RISK MANAGEMENT
A U T H O R I T Y

BAY-ARENAC BEHAVIORAL HEALTH
BOARD OFFICE

August 21, 2024

Christopher Pinter
Bay-Arenac Behavioral Health
201 Mulholland
Bay City, MI 48708

Dear Christopher Pinter:

Thank you for your recent renewal with the Michigan Municipal Risk Management Authority (MMRMA). On behalf of the MMRMA Board of Directors, I am very pleased to provide the Bay-Arenac Behavioral Health with \$55,880. This represents your share of the distribution of excess net assets from MMRMA to current eligible renewing Members declared by the Board in January 2024. In accordance with your instructions, the full amount of \$55,880 has been sent via electronic funds transfer to the bank account indicated on your ACH Authorization Form.

The Board determined whether to declare a distribution of excess net assets based on a recommendation from the Investment Committee and the most recent analysis by our actuary of net asset adequacy of MMRMA at June 30, 2023. This year, the Board declared a net asset distribution of \$34,484,665 to eligible Members. Many factors contribute to the ability of the Board to declare a distribution, including better than expected loss trends, good risk management practices, responsiveness to risk control recommendations, and a successful well-diversified long-term investment strategy. A new actuarial analysis is performed each year to determine if there are excess net assets eligible for distribution; because each year's analysis is discrete, there is no guarantee of future distributions.

However, the essential and most important factor allowing MMRMA to distribute excess net assets is the long-term commitment of its Members. A majority of MMRMA Members have over 20 years of continuous membership, and several have more than 35 continuous years with our organization. The method used to calculate the distribution of excess net assets recognizes and rewards those municipalities with sustained longevity. In addition to your years of continuous membership, the calculation method considers your claim loss history in excess of your self-insured retention (SIR) layer and your contributions to the General Fund over the past five years. Without your ongoing participation and commitment to best practices, such distributions would not be possible. The ultimate recognition of the success of our organization goes to you – the MMRMA Members. The Board and I sincerely thank you for your loyal support of MMRMA.

Warmest regards,

Michael L. Rhyner
Executive Director

cc: Dave Hildenbrand

MMRMA Summary
Annual Premiums and Distribution of Excess Assets

<u>Contract Period</u>	<u>Premium</u>	<u>Distribution</u>	<u>% of Premium</u>	<u>Distributions</u>
7/1/14-6/30/15	70,889.00	42,520.00 24,838.00	95.0%	MMRMA Excess Net Assets to Renewing Members State Pool Loss Fund Distribution
7/1/15-6/30/16	70,078.00	12,043.00 55,294.00	96.1%	MMRMA Excess Net Assets to Renewing Members State Pool Loss Fund Distribution
7/1/16-6/30/17	72,915.00	33,195.00 8,487.00	57.2%	MMRMA Excess Net Assets to Renewing Members State Pool Loss Fund Distribution
7/1/17-6/30/18	71,977.00	9,403.00 14,797.00	33.6%	MMRMA Excess Net Assets to Renewing Members State Pool Loss Fund Distribution
7/1/18-6/30/19	76,316.00	13,782.00 11,767.00	33.5%	MMRMA Excess Net Assets to Renewing Members State Pool Loss Fund Distribution
7/1/19-6/30/20	83,870.00	16,376.00 9,511.00	30.9%	MMRMA Excess Net Assets to Renewing Members State Pool Loss Fund Distribution
7/1/20-6/30/21	87,431.00	10,337.00 7,038.00	19.9%	MMRMA Excess Net Assets to Renewing Members State Pool Loss Fund Distribution
7/1/21-6/30/22	90,652.00	17,036.00 8,055.00	27.7%	MMRMA Excess Net Assets to Renewing Members State Pool Loss Fund Distribution
7/1/22-6/30/23	92,615.00	41,744.00 12,038.00	58.1%	MMRMA Excess Net Assets to Renewing Members State Pool Loss Fund Distribution
7/1/23-6/30/24	94,377.00	55,880.00 11,987.00	71.9%	MMRMA Excess Net Assets to Renewing Members State Pool Loss Fund Distribution
Total Over 10 years	811,120.00	416,128.00	51.3%	

Members since 1985



BEHAVIORAL HEALTH

Chief Executive Officer
Christopher Pinter

Board of Directors
Richard Byrne, Chair
Robert Pawlak, Vice Chair
Patrick McFarland, Treasurer
Christopher Girard, Secretary
Tim Banaszak
Patrick Conley
Jerome Crete
Sally Mrozinski
Kathy Niemiec
Carole O'Brien
Marie (Toni) Reese
Pamela Schumacher

Board Administration
Behavioral Health Center
201 Mulholland
Bay City, MI 48708
800-448-5498 Access Center
989-895-2300 Business

Arenac Center
PO Box 1188
1000 W. Cedar
Standish, MI 48658

North Bay
1961 E. Parish Road
Kawkawlin, MI 48631

William B. Cammin Clinic
1010 N. Madison
Bay City, MI 48708

Wirt Building
909 Washington Ave.
Bay City, MI 48708

www.babha.org

September 6, 2024

Honorable Governor Gretchen Whitmer
P.O. Box 30013
Lansing, Michigan 48909

Dear Governor Whitmer:

The purpose of this correspondence is to request your assistance in resolving significant Medicaid revenue and expense gaps in the current 2024 fiscal year that threaten to overwhelm many of the public community mental health services programs (CMHSPs) and Pre-paid Inpatient Health Plan (PIHPs) regions in Michigan.

Bay-Arenac Behavioral Health Authority (BABHA) is the CMHSP providing services to nearly 5,000 residents a year from Bay and Arenac Counties. The priority populations for these services are persons with serious mental illness, intellectual/developmental disabilities (including autism), substance use disorders, and children with severe emotional disturbances. BABHA is part of the Mid-State Health Network (MSHN) region comprising 12 CMHSPs and 21 counties.

The Community Mental Health Association of Michigan (CMHAM) is reporting, for the first time since the Michigan Department of Health and Human Services (MDHHS) implemented the CMHSP/PIHP managed care program in 1999, at least 6 of the 10 regions are forecasted to experience an aggregate Medicaid deficit of nearly \$90 Million in fiscal year 2024.

This will require extensive use of PIHP internal service funds to close these deficits and are likely to require significant reductions in specialty services in fiscal year 2025 and beyond. **These systemic deficits are primarily related to a combination of three factors: Medicaid enrollment changes, service utilization, and the medical inflation index.**

Medicaid Enrollment Changes

During the COVID-19 public health emergency, Medicaid re-enrollment/redetermination within Michigan was frozen – resulting in an increase in Medicaid recipients throughout the state. This temporarily produced surplus funds at several PIHPs and gave a false impression of financial stability in the annual rate setting process. However, as the pandemic ended, the annual re-enrollment and redetermination process was reinstated, and the three-year backlog resulted in over 700,000 Michiganders losing their Medicaid coverage. Unfortunately, the Medicaid rates have consistently been based on more optimistic enrollment projections contributing to the significant gaps in revenues received.

This was also exacerbated by errors in the redetermination process itself that transitioned some beneficiaries from the traditional “Disabled, Aged, and Blind” eligibility to other groups such as “Plan First”, with significantly lesser associated revenue and covered benefits. Although these beneficiaries remained eligible for CMHSP services, even a temporary loss or change in Medicaid coverage in the last year can have a significant impact on revenues received by the PIHPs during this transition.

Service Utilization

As the overall number of Medicaid beneficiaries and the associated revenue to Michigan’s public system dropped in the last year, the demand for Medicaid mental health services and costs of those services continued to increase. This is due to the fact that the vast majority of persons that receive CMHSP services retain Medicaid coverage due to the severe and long-term nature of their disabilities.

BABHA has experienced a considerable increase in behavioral health service demand and expenses between FY2022 and FY2024. These increases have primarily been related to inpatient community hospitalization, community living support (CLS) services for adults, and CLS services specific to autism services. For example, the number of inpatient hospital admissions increased 23%, the number of persons receiving CLS for adults increased 11%, and the number of children entering CLS autism services increased 28%.

This translated into increases in Medicaid expenses during this same FY2022 – FY2024 period for community hospital services from \$4.8 Million to projected \$7.1 Million (+48%); CLS services for adults from \$7.1 Million to \$8.7 Million (+22%); and CLS autism-related services from \$7.3 Million to \$10.4 Million (+42%). It should also be noted that inpatient utilization for children has been compounded by the limited availability of state inpatient beds during the replacement of Hawthorne Center.

Medical Inflation index

The third factor impacting Medicaid expenses has been the significant cost increases in the health care market over the past three years producing higher labor, supply chain, and service expenses. **For example, BABHA Medicaid revenue between FY2021 and FY2024 increased approximately 6% (+\$3.6 Million).** However, the cumulative percent change in Consumer Price Index for All Urban Consumers (CPI-U) for medical care during the same FY2021 to FY2024 period was nearly 17% according to the Peterson/Kaiser Family Foundation Health System Tracker, 8-2-24. The actual overall expense increase for BABHA during this period was approximately 22% (+\$13 Million) with the majority of those being external claims.

In summary, the core of the issue is that the Medicaid rate setting processes used in the past few years did not adequately account for the impact of Medicaid enrollment changes, post-COVID service utilization rebound, and the unusually high inflationary pressures on projected revenues and expenses necessary to sustain a long-term care specialty program. This was compounded by atypical fiscal year 2021 and 2022 utilization data that may have masked emerging service trends.

It is recommended that MDHHS consider necessary actions to retroactively increase the current year 2024 Medicaid rates to be more reflective of actual PIHP and CMHSP service and expense trends. This may be accomplished by utilizing existing unspent Medicaid funds already in the 2024 Appropriation Act and would not require additional legislative action. A retroactive rate adjustment would permit the PIHPs to offset their projected fiscal year 2024 deficits and avoid the use of Medicaid internal service funds.

In addition, MDHHS should give serious consideration to reviewing the fiscal year 2025 prospective rates in order to prevent a similar revenue to expense trend next year. The continued uncertainty in Medicaid financing since the pandemic makes it very difficult for PIHPs and CMHSPs to adequately plan, evaluate, and respond to emerging community demand. It should also be noted that revenues distributed to the PIHPs retain their public identity and may only be used for legitimate Medicaid expenses. Any unspent or surplus funds beyond the existing shared risk contract are required to be returned to MDHHS. The risk to the state is small when compared to the risk of CMHSP beneficiaries and families in our communities not receiving medically necessary mental health services.

Thank you again for your consideration regarding these important matters. If we can ever be of any assistance, please feel free to contact BABHA anytime at (989) 895-2348.

Sincerely,



Christopher Pinter
Chief Executive Officer

cc: MDHHS Director Elizabeth Hertel
Senator Kristen McDonald-Rivet
Senator Michelle Hoitenga
Representative Timothy Beson
Representative Mike Hoadley
MDHHS Meghan Groen
Bay County Board of Commissioners
Arenac County Board of Commissioners

Community Mental Health Association of Michigan

Advocacy plan:

Closing FY 24 Medicaid revenue gap of Michigan's public mental health system

September 2024

Background and purpose of this document

Over the past year, Michigan's PIHPs, CMHSPs, providers, the state's leading advocacy groups, and CMHA have expressed concern over the substantial Medicaid revenue gap experienced by the state's public mental health system.

The causes of this revenue gap are outlined in the "Message" section of this document.

Document purpose

This document outlines the advocacy plan pursued by CMHA, its members and allies, including steps already taken and those planned for the next several months. It is intended to provide, in one place, a picture of these advocacy efforts and lay the groundwork for future efforts in this advocacy initiative.

Aim of this advocacy effort

The aim of this advocacy effort is to close the FY 2024 Medicaid revenue gaps projected by Michigan's PIHPs through the development and payment, to the state's PIHPs, of a set of retroactively effective, revised, and increased capitation rates. The revenue gaps to be closed are those projected by the PIHPs as of August 13 2024 or any updated projections developed by the state's PIHPs during the process led by MDHHS and Milliman of revising the FY 2024 rates.

Advocacy message

Causes of revenue gap: During the COVID-19 public health emergency, Medicaid reenrollment/redetermination, across the country and within Michigan was frozen – resulting in an increase in Medicaid recipients throughout the state. With the end of the pandemic, the requirement that persons receiving Medicaid annually re-enroll was reinstated. As a result, over 700,000 Michiganders lost their Medicaid coverage.

Because Michigan's public mental health system is funded primarily with Medicaid funds and those funds are paid to the system based on the numbers of persons on Medicaid (via what is known as a "capitated or per-capita" financing system), as the number of Medicaid beneficiaries dropped significantly over the past year so did the revenue provided to the state's public mental health system.

However, as the overall number of Medicaid beneficiaries and the associated revenue to Michigan's public system dropped, the demand for Medicaid mental health services and costs of those services did not. This mismatch between Medicaid per-capita revenues and the number of Medicaid beneficiaries in need of mental health services is due to the fact that the vast majority of the Medicaid beneficiaries who receive mental health services from Michigan's public mental health system retain Medicaid coverage and the need for high-cost mental health care due to their disabilities.

Additionally, this deficit is exacerbated by an errors in the Medicaid redetermination process observed by our members and Medicaid beneficiaries across the state. The clearest examples are Medicaid beneficiaries who have long received Medicaid due to their disability (in what Medicaid calls the “Disabled, Aged, and Blind” Medicaid group) being automatically enrolled in Plan First given that the enrollment in Plan First is simpler process. Plan First is a Medicaid benefit that covers only family planning services and not the comprehensive range of mental health services needed by these beneficiaries. Thus these persons lose their eligibility (often longstanding) for services through the public mental health system; services essential to their recovery and quality of life. Additionally, these enrollments dramatically reduce the revenue that the state’s public mental health system receives, given the much lower Plan First capitation payments.

This mismatch between the per capita revenues received and the demand for services and enrollment errors have caused Michigan’s public mental health system to experience deep revenue gaps – revenues far below those expected by the FY 2024 Medicaid and Healthy Michigan Behavioral Health appropriations line. **That deficit is projected to be \$xx million (*deficit currently being refined by Michigan’s PIHPs and to be inserted here one available*) – even after a partial revenue gap closing rate adjustment in April of this year.**

Given that the FY 2024 appropriations line items for Michigan’s Medicaid and HMP Behavioral Health system is significantly above the funds to be drawn from this line to fund the system, an increase in the Medicaid rates paid to the state’s public mental health system to close the gap noted above would still leave \$yy million unspent in those appropriations lines.

Recommendation: CMHA, its members, and allies are recommending that the public mental health system’s FY 2024 Medicaid revenue gap of \$xxx be closed through the development and payment of a set of retroactively effective, revised, and increased capitation rates. As noted above, the funds needed to provide this rate adjustment are already in the FY 2024 appropriations for these services, thus requiring no new appropriations to close this revenue gap.

Advocacy plan

Actions taken to date:

1. CMHA, PIHPs, and state’s major advocacy groups have made repeated calls, to the MDHHS Actuarial Office and the leadership of the Behavioral Health units within MDHHS, for rate revisions and increases to close this revenue gap.
2. CMHA has alerted, through discussions, the State Budget Office regarding this revenue gap and the fact that no additional appropriations are needed to close this gap.
3. CMHA, a number of its members, and allies have alerted the Appropriations Chairs of both houses regarding this revenue gap and the fact that no additional appropriations are needed to close this gap.
4. CMHA has alerted the Michigan Association of Counties (MAC) to stand ready to assist CMHA and its allies in this advocacy effort.
5. CMHA, given the lack of response from the MDHHS Actuarial Office and the leadership of the Behavioral Health units within MDHHS, have reached out to the MDHHS Deputy Directors (Groen and Knezek) regarding this issue. CMHA hopes to hear back soon regarding this outreach.

Future actions contingent upon movement resulting from past and current advocacy work:

If no action by Department, CMHA staff, working with its members, the state's leading advocacy groups, and allies will engage in the next steps in this advocacy effort, in the sequence noted below:

1. Intensified joint effort with the state's leading advocacy groups, MAC, and other allies.
2. Outreach to the Director of the State Budget Office
- 3 Outreach to the MDHHS Director
4. Legislative advocacy through the issuing, by CMHA, of an Action Alert to CMHA members, advocates, persons served, and allies.
5. Media campaign reflecting statewide issue and fleshed out with local stories