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Michigan would privatize mental health funding, services under Snyder's proposed budget

By **Jay Greene**

Gov. Rick Snyder's \$54.9 billion fiscal 2017 budget calls for privatizing the \$2.4 billion public mental health system by turning over state funding to Medicaid HMOs.

In what is called "boilerplate" language at the end of Snyder's 408-page executive budget bill, Section 298 calls for carving in behavioral health benefits to the health plans by the end of fiscal 2017, which ends Sept. 30, 2017.

While the budget language does not include any savings, the **Michigan Association of Health Plans**, which has been lobbying for the changes, has suggested the switch could save the state millions of dollars.

Officials with the **Michigan Association of Community Mental Health Boards**, which is opposed to the plan, have called for an all-out lobbying effort targeted at key policymakers and state legislators, who will be holding hearings on the budget request over the next few months.

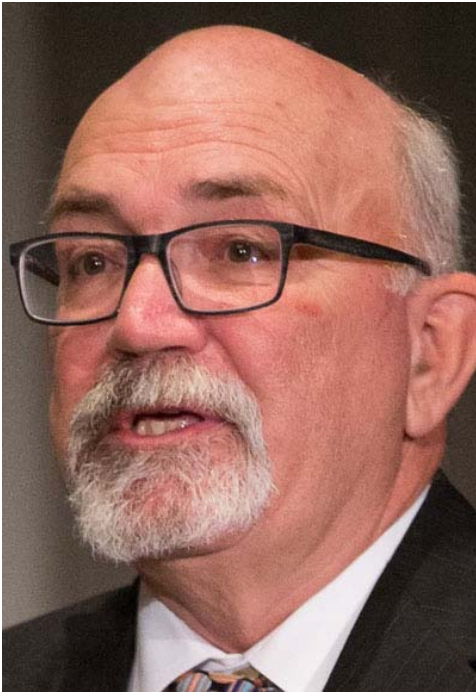
Snyder's budget proposal goes to the House and Senate appropriations committees. The House appropriations committee, chaired by Al Pscholka, is to hold its first hearing Feb. 29. The Senate appropriations committee, chaired by Dave Hildenbrand, had not scheduled its first meeting.

"We knew talks have been going on for months" to move state funds to Medicaid HMOs, said Robert Sheehan, CEO of the community mental health board association.

"We thought there would be real talk about integration and how to serve patients better. This doesn't move state policy along, control costs or help clients. The overhead for private plans is two times more than public plans."

Crain's has requested an interview with Snyder's office .

Rick Murdock, executive director of the HMO association, said Snyder's proposed budget is just the beginning of a dialogue with the state, mental health organizations and advocacy groups that will



Rick Murdock

transpire over the next 18 months.

“The approach is prudent in that it does not make a change at all in FY 17,” Murdock said. “We look forward to working and collaborating with all interested parties and the (the state) on this issue.”

In a previous *Crain's story*, Murdock said the trend of health plans managing all or parts of the medical, behavioral health, substance abuse and developmentally disabled populations is happening in other states. They include Illinois, California, Florida, New Mexico, South Carolina, Washington, Wisconsin and Texas.

Sources tell *Crain's* the health plans have suggested to Snyder and state legislators that allowing them to manage medical and behavioral health in an integrated fashion could cut costs by \$200 million from 2017 to 2019.

Sheehan said the promises of savings to the state may be a mirage. His initial analysis shows administrative costs for the "prepaid inpatient health plans," or PIHPs, commonly called mental health authorities, average about 6 percent of costs, compared with the 12 percent administrative costs of HMOs.

Murdock has suggested to *Crain's* that savings can come from eliminating duplicate layers of administration and bureaucracy, and improving efficiency.

“I don't think we are served by getting into a debate on percent of administrative costs as they are defined differently,” Murdock said in an email to *Crain's*. “I would agree with Bob (Sheehan) that savings may not be realized due to unmet needs and other circumstances that need to be addressed — but hopefully we are all in agreement that future improvements that will lead to treating the whole person under a single accountable system will make sense.”



Willie Brooks

But Willie Brooks, CEO of **Oakland County Community Mental Health Authority**, said the needs of the 300,000 Michigan residents served by the public mental health system should be considered ahead of any potential cost savings to the state.

“Who stands to benefit from this change: the state, the Medicaid health plans or both?” Brooks told *Crain's* in a statement. “We certainly know it is not the more than 300,000 Michigan residents who currently receive public mental health services for their developmental disability, mental illness, substance use disorder, or serious emotional disturbance.”

Brooks said the promise of Medicaid health plans to save the state \$200 million should not be the only consideration.

"It is the state's responsibility to protect the life-changing services that they receive through the community mental health system; this change actually puts them in jeopardy of diminished services," Brooks said.

Sheehan said many advocacy groups are being enlisted to help lobbying efforts, including the **National Alliance for Mental Illness**, **The ARC**, the **Association for Children's Mental Health** and the **Michigan Protection & Advocacy Services**.

Under the state's current mental health payment system, the **Department of Health and Human Services** makes monthly per person Medicaid payments to prepaid inpatient health plans in 10 regions. Southeast Michigan has three regional PIHPs, which are located in Wayne, Oakland and Macomb counties.

The PIHPs, in turn, subcontract with a variety of provider organizations and community mental health agencies to deliver services that include autism, developmental, substance abuse, behavioral health and serious mental disorders. The 46 community mental health agencies, which serve 83 counties, also receive general fund dollars for non-Medicaid covered services.



Jim Marleau

Sen. Jim Marleau, R-Lake Orion, who is on the appropriations committee, said he will ask if such a funding reorganization would lead to higher quality services for patients.

"Michigan's Medicaid insurance companies proposed integration models for mental health and substance use treatment services in order to qualify for a contract last year," Marleau said in an email to *Crain's*. "But I have seen few details."

Marleau said Healthy Michigan Medicaid has significantly increased the overlap in patients receiving both medical and behavioral health services.

"Integrating mental and physical health care has shown to provide tremendous value but I'm not sure if this proposal is the best way," he said.

Under Section 298 in the budget, Snyder proposes that HHS "transfer the service funds appropriated ... currently provided to PIHPs through the Medicaid mental health services, Medicaid substance use disorder services, Healthy Michigan plan – behavioral health and autism services lines to the health plan services line by September 30, 2017."

Snyder's budget language calls for HHS to amend "contracts to the Medicaid health plans to include responsibility for covering the full array of specialty services and supports for eligible Medicaid beneficiaries with a serious mental illness, developmental disability, serious emotional disturbance, or substance use disorder upon completion of a plan to integrate these specialty services and supports in to the comprehensive health plan contract."

Moreover, the budget proposal also calls to begin talks with various mental health advocates to develop an integration plan to merge medical and behavioral health services. HHS would then contract with an "administrative service organization to provide oversight of the Medicaid health plans and the community mental health service providers and ensure continuity of care for the served populations." Medicaid HMOs would be required to contract with the existing community mental health service providers for the provision of specialty services and supports.

Tom Watkins, CEO of the **Detroit Wayne Mental Health Authority**, said he has been hearing from many family members and advocates who are very concerned about the state privatizing the public mental health system.

"They are cautioning the Governor against moving toward what they see as a profitizing the system of care for their family members," Watkins said in an email to *Crain's*.

Watkins said the Detroit Wayne authority has cut more than \$30 million from its overhead structure the past several years that has generated greater services to its patients.

"We expect we will have a prominent seat at the table with the administration and the Legislature as they think this move through," he said. "There are ways, which we have demonstrated to improve service delivery that don't place profits over people."

For more details, here are the links to Snyder's [2017 general budget document](#) and [executive recommendation](#).

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