



COUNTY ADMINISTRATOR
220 NORTH MAIN STREET, P.O. BOX 8645
ANN ARBOR, MICHIGAN 48107-8645
(734)996-3055
FAX (734)994-2592

TO: Katie Scott, Chair
Ways & Means Committee

THROUGH: Gregory Dill,
County Administrator

FROM: Trish Cortes, Executive Director
Washtenaw County Community Mental Health

DATE: September 4, 2019

SUBJECT: Washtenaw County Community Mental Health is requesting that the Washtenaw County Board of Commissioners approve the 2018/2019 Final Budget

BOARD ACTION REQUESTED:

It is requested that the Washtenaw County Board of Commissioners approve the 2018/2019 Final Budget for Washtenaw County Community Mental Health (WCCMH) which began on October 1, 2018 and ends September 30, 2019.

BACKGROUND:

The WCCMH Board has been monitoring the WCCMH FY 2019 operating budget and recommends the approval of the final budget amendment to align revenues and expenditures with the projected financial outcomes for the current fiscal year. The WCCMH operates under a Medicaid Subcontracting Agreement with the Community Mental Health Partnership of Southeast Michigan (CMHPSM). The CMHPSM receives its Medicaid revenue under a capitated shared-risk based funding model from the Michigan Department of Health and Human Services (MDHHS). The final revenue projections were not made available until after the first quarter of the fiscal year, therefore the budget was passed with assumptions and agreed Risk Strategy at the regional level.

DISCUSSION:

In the State of Michigan, the Medicaid mental health and substance use funds are disbursed through managed care organizations called Prepaid Inpatient Health Plans (PIHP). The Community Mental Health Partnership of Southeast Michigan (CMHPSM) is the designated Prepaid Inpatient Health Plan (PIHP) for the four county region that includes Lenawee, Livingston, Monroe and Washtenaw. CMHPSM contracts with WCCMH for the provision of specialty mental health services to Medicaid eligible individuals. Approximately 89% or \$79 million of the WCCMH budget is capitated Medicaid dollars received directly from CMHPSM and

must be used to provide medically necessary specialty mental health services to Medicaid eligible individuals.

In the shared-risk based funding model, the PIHP should maintain a risk reserve up to 7.5% of its overall annual revenue. Medicaid revenues are paid to the PIHP as a capitated payment, not fee for service. The PIHP ensures that all medically necessary and mandated services are provided within the Medicaid capitation. The risk reserve should be used to balance out the ups and downs of service demand and fluctuations in revenue.

There are several factors that play into the current financial challenges being faced by WCCMH and our entire CMHPSM regional partnership. Medicaid revenues in 2017, 2018 and into 2019 are not keeping up with the increased cost to provide services nor the acuity of individuals and demand for services. Accurate beneficiary eligibility for Medicaid programs has become increasingly worrisome and put an administrative burden on the CMHSP's to heavily monitor and resolve inaccuracies with MDHHS. The capitation rate methodology underwent changes starting in 2016 and those changes were fully implemented in 2018. The new methodology has resulted in declining Medicaid revenues and caused the PIHP to fully exhaust its Internal Service Fund at the close of fiscal year 2018. Ideally, the risk-based funding model is designed to cover the challenging years with minimal service disruption.

As a region, the Medicaid service demands have far exceeded the available revenues and therefore the PIHP chose to enter into litigation with the State to demand they fully fund the Medicaid program for which they are responsible. The litigation also argues the illegality of CMHSP's having to use other funds, such as County General Funds to cover Medicaid entitlements for which the State ultimately holds the responsibility to provide and adequately fund. The litigation is currently pending at the local circuit court level.

Locally, the WCCMH has worked to contain costs where possible during FY2019 without impacting consumers, staff and the network of providers. Over the past three years the growth in residential service needs and psychiatric hospitalizations has far exceeded the growth in revenues. Internal staffing and infrastructure costs are an on-going challenge and an unfunded mandated imposed on WCCMH. Wage increases, high fringe costs and Cost Allocation Plan increases continue to rise at a level contradictory to Medicaid revenues. For example, wage increases for FY 2019 had a \$1 million impact on the WCCMH budget, not including the PDQ position reclassifications authorized and funded by the Board of Commissioners.

The final budget amendment seeks to align the revenues consistent with the PIHP Risk Strategy and the projected expenditures for FY2019. The final budget includes anticipated Medicaid revenues currently unavailable by the CMHPSM, but will be identified in the final close out process.

IMPACT ON HUMAN RESOURCES:

There is no impact to Human Resources.

IMPACT ON BUDGET:

There is no impact to County General Fund.

IMPACT ON INDIRECT COSTS:

There is no impact to indirect costs.

IMPACT ON OTHER COUNTY DEPARTMENTS OR OUTSIDE AGENCIES:

There is no impact to other County departments or outside agencies.

CONFORMITY TO COUNTY POLICIES:

The request is in conformance with County policies.

ATTACHMENTS/APPENDICES:

A RESOLUTION APPROVING THE WASHTENAW COUNTY COMMUNITY MENTAL HEALTH
2018/2019 FINAL BUDGET

WASHTENAW COUNTY BOARD OF COMMISSIONERS

September 18, 2019

WHEREAS, the Washtenaw County Community Mental Health (WCCMH) has been designated by the Michigan Department of Health and Human Services (MDHHS) as the Community Mental Health Service Provider (CMHSP) for Washtenaw County; and

WHEREAS, Washtenaw County Community Mental Health is a partner in the Community Mental Health Partnership of Southeast Michigan, the Prepaid Inpatient Health Plan for the four county region of Lenawee, Livingston, Monroe and Washtenaw; and

WHEREAS, the WCCMH 2018/2019 final budget has been approved by the Washtenaw County Community Mental Health Board on August 16, 2019; and

WHEREAS, the WCCMH final budget includes the collected and anticipated Medicaid revenues from the CMHPSM to meet the projected final expenditures for FY2019; and

NOW THEREFORE BE IT RESOLVED that the Washtenaw County Board of Commissioners hereby approves the Washtenaw County Community Mental Health 2018/2019 final budget amendment.

Washtenaw County Community Mental Health
Business Unit: 22205100
Fiscal year: 10/1/18-9/30/19
Final Budget

	WCCMH		WCCMH	
	FY 2019		FY 2019	
Revenues	Amended Budget		Original Budget	Variance
50 - Federal Revenue	\$	117,636	\$ 117,636	\$ -
54 - State Revenue		83,739,380	83,739,354	26
58 - Local Revenue		238,474	238,474	-
60 - Fees and Services		820,000	820,000	-
67 - Other Revenue		1,923,977	1,923,977	-
69 - Transfers In		1,693,272	1,693,272	-
		88,532,739	88,532,713	26
Expenditures				
70 - Personal Services	\$	30,302,609	\$ 31,487,578	\$(1,184,969)
75 - Supplies		252,000	252,000	-
80 - Other Svcs and Chgs		54,037,013	52,360,013	1,677,000
95 - Internal Svc Chgs		3,941,117	4,433,122	(492,005)
	\$	88,532,739	\$ 88,532,713	\$ 26