



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 2019/2020 Annual Operating Budget

BOARD ACTION REQUESTED:

It is requested that the Washtenaw County Board of Commissioners approve the 2019/2020 annual operating budget for Washtenaw County Community Mental Health (WCCMH) which begins on October 1, 2019 and authorizes the Administrator to approve the delegate contracts which includes those between WCCMH and both, the Community Mental Health Partnership of Southeast Michigan (CMHPSM) and Michigan Department of Health and Human Services (MDHHS).

BACKGROUND:

The WCCMH Board approved the FY 2020 annual operating budget on August 16, 2019 in order to meet the scheduled meetings for the Board of Commissioners September schedule. The WCCMH has not received revenue projections and will not receive a Medicaid Subcontracting Agreement from the CMHPSM until the end of September. The WCCMH Board is kept aware of the contract updates and reviews the revenues and expenditures in detail each month. There has also been a commitment to providing quarterly financial status updates to BOC within 60 days of quarter end.

DISCUSSION:

The County of Washtenaw is the designated Community Mental Health Service Provider (CMHSP) for Washtenaw County. CMHSP's in the State of Michigan are regionalized into 10 Prepaid Inpatient Health Plans (PIHPs) across the State. Washtenaw County Community Mental Agency (WCCMH) is included in a four county PIHP region that includes Lenawee, Livingston and Monroe.

PIHPs are under contract with the Michigan Department of Health and Human Services (MDHHS) using a capitated, shared-risk funding model. The State draws down Federal Medicaid funds for community mental health services and under an actuarially sound payment methodology, which is based on overall beneficiaries within the PIHP, disburses the Medicaid revenue to the ten regions.

The PIHPs are responsible for ensuring that the CMHSPs are providing all medically necessary and mandated specialty mental health and substance use services to all qualifying Medicaid beneficiaries. The Community Mental Health Partnership of Southeast Michigan (CMHPSM), which is the PIHP for the WCCMH, initiates a Medicaid Sub-Contracting agreement to the four CMHSP's within the region. The agreement mirrors language from the State to PIHP Medicaid agreement, and identifies which functions of the PIHP are being delegated to the CMHSP. For example, the provision of service is delegated to the WCCMH and several of the administrative functions, such as utilization management and provider network management. Through various monitoring and audit mechanisms, the CMHPSM ensures that WCCMH is providing all of the medically necessary and mandated services to the eligible individuals within Washtenaw County.

In the shared-risk based funding model, the PIHP maintains 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 is used to balance out the ups and downs of service demand and fluctuations in revenue from year to year.

In the situation where a PIHP is overspending their available Medicaid funding, then the shared-risk funding model becomes applicable to cover the deficit. The shared-risk model is as follows:

100-105% PIHP Risk Reserve (when available) or Local Funds
105-110% Shared Risk Corridor between MDHHS and Local Funds
>110% MDHHS

There are several factors that play into the current financial challenges being faced by WCCMH and our entire regional partnership. Beginning in 2016 the State set forth a phased in approach to a new capitated rate development methodology. As a result, Medicaid funding for our region has declined to an insufficient level. The historical experience of the CMH system is that as the health of the economy improves, generally the number of Medicaid eligible individuals decreases and can have a negative impact on the CMH system funding, even though the number of individuals qualifying for CMH services remains consistent. Theoretically, the risk-based funding model is designed to cover the challenging years with minimal service disruption.

WCCMH has seen a steady increase in the cost to provide residential services to the consumers in the County. Residential services represent 40% of the WCCMH budget and includes licensed residential settings (group homes), as well as unlicensed residential settings where Community Living Supports (CLS) services are provided to an individual in their own home. Capacity constraints for residential settings has forced placements outside of the County to ensure the provision of mandated and medically necessary services. These placements tend to be more expensive and are generally non-negotiable as the demand for these placements state-wide is equally as high.

The direct care worker shortage has been particularly burdensome within our region. Low wages, derived from insufficient Medicaid funds, has put a strain on our network of community providers to meet the health and safety needs of the individuals we serve. Comparable wages can be attained from far less demanding work that requires little to no training. These challenges

have led to high turnover, exhausted training resources and the elimination of supervision and coaching to ensure quality service provision at the aide level.

For our region, the increased cost of service provision and insufficient revenue has ultimately put the PIHP into the shared-risk corridor with MDHHS. At the close of FY 2018, the PIHP has depleted their Medicaid risk reserve and is facing an additional multi-million dollar shortfall. As the revenue challenges have continued into FY 2019 (October 1, 2018 – September 30, 2019) the PIHP has zero reserves and is currently trending to have over a \$16 million shortfall. WCCMH is locally projecting to be \$10 million over the available Medicaid revenues for FY 2019.

On October 8, 2018, the WCCMH Board sent a letter to BOC highlighting the concerns moving in to the 2019 fiscal year. The WCCMH Board proposed a workgroup charged with exploring solutions to the on-going financial challenges. That group was finalized in February 2019 and has worked to understand and identify the mental health budget challenges. Ultimately, the County Administrator put forth a set of recommendations to close the deficit for FY 2020.

The WCCMH Board has fully considered the recommendations and incorporated the agreed upon solutions into the balanced budget as presented.

Due to a delay in Medicaid capitation rate information for FY 2020 the following revenue assumptions were used in the revenue projection. Medicaid revenue assumptions were developed locally by the CMH Finance Director, as Medicaid revenue projections from the PIHP are not yet available due to State delays in providing FY 2020 rate specifics. The assumption for all Medicaid funds totals \$74,165,000, or an increase of approximately \$4 million from FY 2019.

State General Fund revenue assumptions are based on the understanding that MDHHS will continue to increase the WCCMH's General Fund authorization by \$360,000 each year over the course of the four years. The first increase was given in FY 2019 and the total increase over the 5 year period is set to reach \$1.8M. WCCMH has not received formal notification from MDHHS regarding the authorization for FY 2020, typically this occurs in September.

WCCMH regularly participates in several grant opportunities through MDHHS, the PIHP (via MDHHS) and private grantors. Much of the grant information was not released until later than usual and this portion of the budget is likely to need amending when finalized awards have been communicated.

The County's annual appropriation for mental health will continue at the \$1,528,080 to meet local match obligations, as well as the continued support for jail services of \$165,192.

The CMH budget must balance in totality and also balance with prescriptive fund sources and expense recognition for the projected service delivery. Prior fiscal year experience was used to forecast the anticipated expenditure levels as it pertains to the contracted service lines, such as residential services and inpatient psychiatric hospitalizations. The services provided directly by WCCMH staff are assumed using a fixed staffing and indirect budget and applied to the projected consumer benefit eligibility at the time of service.

WCCMH's budget assumes that the entire CMH CAP for FY 2020 is absorbed by the County General Fund to support CMH operations and ensure the following:

1. No impact to the individuals we serve.
2. No impact to the County staff supporting individuals we serve.
3. No impact to the provider network that supports the individuals we serve.

Once finalized revenue has been received and incorporated into the budget for development, County General Fund support can be adjusted down to reflect any additional revenue opportunity. Furthermore, should the revenue be less than projected, the WCCMH Board will identify necessary reductions for recommendation to BOC within 45 days.

IMPACT ON HUMAN RESOURCES:

The creation of a Service Coordinator-Hospital & Court Liaison position and elimination of an existing Mental Health Professional position on the Utilization Review Team. On the Utilization Review Team, it is essential that all staff are able to provide cross coverage for hospital and court duties. The existing staff is credentialed to cover all duties and should be a Service Coordinator position along with the rest of the team so that responsibilities can be evenly distributed across the entire Utilization Review Team. Staff currently occupies the MHP position but is performing the work of a Service Coordinator as a temporary assignment in order to meet the work demands.

PCN	Position Title	Employee Group	Grade	Create	Eliminate
2355-0042	Mental Health Professional	1000	23		1.0
2629-0003	Service Coordinator – Hospital & Court Liaison	1000	26	1.0	

IMPACT ON BUDGET:

The requested CAP relief would require \$4.3M in County General Fund dollars to offset the lost revenue to the General Fund.

IMPACT ON INDIRECT COSTS:

There is no impact to indirect costs.

IMPACT ON OTHER COUNTY DEPARTMENTS OR OUTSIDE AGENCIES:

Relieving CMH’s CAP would require utilization of County General funds that then would not be available to direct to the other County departments initiatives/priorities or outside agencies requests. There is yet to be addressed CMH’s FY 2018/2019 deficit. While it is anticipated that there will be some additional Medicaid funding from the State it is not believed the amount will be enough to cover the current projected deficit of \$10.3 million. The State of Michigan will require a deficit elimination plan to be filed for the final amount of the deficit with a payment plan that does not exceed five years. General fund dollars will be needed to pay down and eliminate the deficit for any amount not covered by State Medicaid.

CONFORMITY TO COUNTY POLICIES:

The request is in conformance with County policies.

ATTACHMENTS/APPENDICES:

Resolution

A RESOLUTION APPROVING THE WASHTENAW COUNTY COMMUNITY MENTAL HEALTH
2019/2020 ANNUAL OPERATING 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 2019/2020 annual operating budget was approved by the Washtenaw County Community Mental Health Board on August 16, 2019; and

WHEREAS, Washtenaw County Community Mental Health will receive revenue contracts from the Community Mental Health Partnership of Southeast Michigan and Michigan Department of Health and Human Services for the provision of specialty mental health services within Washtenaw County; and

WHEREAS, the Washtenaw County Board of Commissioners appropriates \$1,528,080 annually to fulfill the match requirements of the WCCMH and an additional \$165,192 to support mental health services in the jail; and

WHEREAS, the WCCMH Board will present a balanced budget amendment upon receipt of revenue from its funders within 45 days; and

WHEREAS, the WCCMH Board will bring formal quarterly budget updates to the BOC within 60 days of quarter end; and

NOW THEREFORE BE IT RESOLVED that the Washtenaw County Board of Commissioners hereby approves the Washtenaw County Community Mental Health 2019/2020 annual operating budget.

BE IT FURTHER RESOLVED that the Board of Commissioners authorizes the Administrator to sign delegate contracts, upon review and approval of Corporation Counsel.

BE IT FURTHER RESOLVED that the Board of Commissioners authorizes the following position modifications:

PCN	Position Title	Employee Group	Grade	Create	Eliminate
2355-0042	Mental Health Professional	1000	23		1.0
2629-0003	Service Coordinator – Hospital & Court Liaison	1000	26	1.0	

**Washtenaw County Community Mental Health
Business Unit: 22205100
Fiscal year: 10/1/19-9/30/20
Annual Budget**

	WCCMH	WCCMH	
	FY 2020	FY 2019	
	Proposed Budget	Final Budget	Variance
Revenues			
50 - Federal Revenue	\$ 117,636	\$ 117,636	\$ -
54 - State Revenue	79,466,846	83,739,380	(4,272,534)
58 - Local Revenue	808,027	238,474	569,553
60 - Fees and Services	795,000	820,000	(25,000)
67 - Other Revenue	1,429,605	1,923,977	(494,372)
69 - Transfers In	1,693,272	1,693,272	-
Transfers In to eliminate Deficit	-	384,795	(384,795)
Total Revenues	84,310,386	88,917,534	(4,607,148)
Expenditures			
70 - Personal Services	\$ 29,374,536	\$ 30,302,609	\$ (928,073)
75 - Supplies	275,470	252,000	23,470
80 - Other Svcs and Chgs	54,060,130	54,037,013	23,117
95 - Internal Svc Chgs	600,250	3,941,117	(3,340,867)
Total Expenditures	\$ 84,310,386	\$ 88,532,739	\$ (4,222,353)