MEMORANDUM

To: Citizens of Allegan County
From: Mark Witte, Executive Director, Allegan County Community Mental Health Services
Date: Friday, June 28, 2019
RE: Announcement Regarding Michigan DHHS’s Proposed Action Relative to the LRE

Today, Michigan’s Department of Health and Human Services (MDHHS) has proposed a plan to:
1) terminate the Medicaid Prepaid Inpatient Health Plan (PIHP) contract that it holds with the Lakeshore Regional Entity (LRE) as of 9/30/2019,
2) replace the publicly appointed and locally accountable board with an advisory board appointed by the state, and
3) directly manage the LRE’s functions with the help of Beacon Health Options during FY2020 while it seeks a new Request for Proposal (RFP) for a new PIHP for FY2021.

MDHHS’s public press release can be found at https://www.michigan.gov/mdhhs/0,5885,7-339-73970_71692_71696-500837--00.html. MDHHS indicated that its objectives are:
1) greater involvement by the state in the management of the Medicaid benefit in the LRE region
2) changing the makeup of the LRE Board of Directors, and
3) re-examining the role of LRE staff in their contractual relation with Beacon Health Options for the management of the Medicaid behavioral healthcare benefit.

The LRE Board met today to discuss this development. There are a number of options it will consider about how to respond to the state. From the perspective of Allegan County CMH, this is not a welcome development based on the following critiques:

• The MDHHS proposal will create a lot of unnecessary chaos and conflict when there is a faster, and wiser way for them to achieve their objectives.

• The MDHHS proposal eliminates local public governance of the public behavioral health system – one of the foundations of Michigan’s nationally recognized behavioral health system for the past 50 years – and replaces it with a state-appointed advisory group.

• The MDHHS allegation of LRE mismanagement as the cause for the LRE's fiscal performance is simply not consistent with the facts. The financial conditions faced by the LRE for the last several years (like other PIHPs have experienced) is the result of the systemic underfunding of those PIHPs. The state is responsible to provide adequate funding for the benefit; it has not. Despite increased spending on legitimately needed services, the LRE region has received an inadequate share of the revenue distributed by MDHHS. This has been well documented by the Community Mental Health Association of Michigan. If the LRE had received the same level of rate increases as other PIHPs, the LRE would have had $49 million more than it actually
received in FY2018. The real problem is that the state has not adequately provided necessary funds for the system as a whole, even as it has increased the number of people turning to the system for resources and long-overdue support (e.g., Healthy Michigan Plan enrollees, persons with Autism, etc.).

- For MDHHS to propose the termination of its contract with the LRE, eliminating the public entity for this region as a result of its inability to stretch the state's funding to cover all of the needs the state has added to the system, is fiscally, ethically, and politically ironic – especially in the eyes of the stakeholders of the public mental health system.

- The LRE is not the only PIHP facing difficult financial issues; it is merely at the forefront of what several other PIHPs have been experiencing the past few years. If the state intends to do this for all PIHPs who enter into financial hardship - rather than to appropriate the funds necessary to meet the care needs - then this is a development of statewide significance and could lead to the erosion of the publicly accountable mental health system across much of the state ... and possibly lead to complete and unaccountable privatization of this remarkable system of care.

**There is a wiser path.** All three of the state's aims can be achieved sooner, simpler, and more directly without eliminating the local public control of the public behavioral healthcare system in this region. The state could and should join the LRE and Beacon in co-managing the benefit. This could be easily accomplished via a three-way contract. If the state believes that the board is part of the problem, the state could require and generate changes to the composition of the LRE Board. In a three-party partnership, the state could also make changes in LRE staffing if it believes that performance of its leadership is a concern. The benefits of that approach would be that MDHHS would achieve all three of its aims, the LRE could maintain the momentum it is currently achieving through its partnership with Beacon Health Options. MDHHS could preserve the local public governance of the public behavioral health system – one of the foundations of Michigan’s 50-year-old behavioral health system. MDHHS would also avoid the unnecessary chaos that their latest proposal is already creating.

**Please know that while this development is critically important at the macro system level, it will not directly impact the services we provide to any consumer.** There will no doubt be many local news stories that could lead to concerns for consumers, families and advocates. The services we provide are developed and planned with individuals based on a person-centered plan; nothing in this proposal will change the services that are included in a person's plan.

**We welcome your questions and comments.** You may contact me by email at mwitte@accmhs.org, or by phone at (269) 673-6617 x2716 (or by cell at (269) 615-4893). You may also reach us through our Customer Services representatives by email at customerservices@accmhs.org, or by phone at (877) 608-3569 or (269) 686-5124.