Michigan’s PIHP system was developed in 1997 when the state moved the Medicaid behavioral health services into managed care. The financing and risk arrangements that were developed 20+ years ago are still in place today and dictate the financial makeup of the system.

A lot has changed since 1997. Behavioral health care has changed dramatically in the past 20 years.

**What is outdated?**

- No built in ability to save or put into reserves for future uses.
- Artificial risk limits cap PIHP reserves at 7.5%, far below industry standards and DO NOT include any ability to replenish reserves.
- Rates do not reflect changes in community demand nor expectations, demand and expectations that have grown dramatically over the last 20 years.
- Local match draw down requirements – state uses $25 million of local CMH funds to draw down Medicaid funds (established in the 1980’s).

**What has changed?**

**1997 – FUNDING**

- Medicaid funding was 65%
- State general fund was 35%

**1997 – SERVICES**

- Adults with serious Mental Illness
- People with Developmental / Intellectual Disabilities
- Children with Serious Emotional Disturbances (examples: Obsessive-Compulsive Disorder (OCD) or Attention Deficit Hyperactivity Disorder (ADHD))

**2019 – FUNDING**

- Medicaid funding is 95%
- State general fund is 5%

**2019 – SERVICES**

- Adults with serious Mental Illness (demand continues to grow)
- People with Developmental / Intellectual Disabilities (demand continues to grow)
- Children with Serious Emotional Disturbances (examples: Obsessive-Compulsive Disorder (OCD) or Attention Deficit Hyperactivity Disorder (ADHD) (demand continues to grow)
- People with Substance Use Disorders (opioid epidemic)
- Healthy Michigan – Medicaid expansion
- Medicaid Autism

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PROBLEM

*Trying to fix 2020 problems with 1990’s solutions*
ITEMS THAT CONTINUE TO ADD DEMAND

**Demand for Services**
- Opioid Crisis
- Autism Services
- Increased staffing costs due to minimum wage increases
- Expanded Medicaid services
- Federal Rules changes for people living independently
- Jail Diversion Programs
- School safety
- Increased state reporting and assessment requirements
- Unfunded mandates, such as new statutory requirements

**State Mandates**
- **Employment Costs** (direct care wages/psychiatrist costs)
- **Federal Rules for Living Arrangements**

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**PROBLEM**

Demands for services are outpacing funding

**MEDICAID / HMP / AUTISM GF REVENUE**

**CURRENT FUNDING**

**FUNDS NEEDED TO SUPPORT GROWING DEMANDS**

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**COMPARISON OF BEHAVIORAL HEALTH FUNDING TO MEDICAL PRICE INDEX FY2010 TO FY2017**

- Annual Funds Available
  - Total State and Federal Net Funding for Mental Health and Substance Use Disorder Services**
  - Applying Medical Price Index to FY2010 Revenue Forward on an Annual basis

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**ALL PEOPLE RECEIVING BEHAVIORAL HEALTH SERVICES**

- Number of People Served
  - All People Receiving Behavioral Health Services