



# Fiscal Year (FY) 2023 Budget Presentation

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# Budget Development

## REVENUE ESTIMATES

- Michigan Department of Health and Human Services (MDHHS) along with Milliman its actuarial firm, provided a Rate Certification letter to PIHPs in July 2022.
- PIHP Finance Staff use details from the letter and appendices to develop revenue estimates based on average past enrollees. Milliman enrollees were estimated at existing Public Health Emergency (PHE) levels. Because the PHE is expected to end at some point in FY 23, with resulting reduced enrollments across the region and State, Finance Council members, consisting of CFOs in the region, determined that the projected revenue figures were likely too optimistic and agreed to adjust the number of enrollees to account for the churn and resulting anticipated revenue reductions after the PHE ends.
- MSHN revenue estimates are reviewed several times throughout the FY to ensure actual amounts received align or are higher than projections and are sufficient to cover anticipated expenditures

# FY 2023 Regional Operating Revenue

CATEGORY	AMOUNTS	DESCRIPTION
Prior Year Savings	\$ 53,948,483	Budget based on maximum FY2022 savings allowed
Medicaid Capitation SP/iSPA MH	413,321,029	Budget based on FY2023 capitation rates with adjustment for projected enrollments
Medicaid Capitation SP/iSPA SUD	14,871,832	
Medicaid Capitation HSW	107,006,878	
Healthy Michigan Plan Capitation MH	66,518,494	
Healthy Michigan Plan Capitation SUD	26,450,624	
Medicaid Autism	49,935,786	
Medicaid DHS Incentive Payment	1,777,608	
CCBHC Supplemental Payments	18,806,293	Budget includes supplemental funding for CCBHC demonstration sites
Hospital Rate Adjustor	18,110,400	Budget based on potential inpatient utilization increase
Performance Bonus Incentive Payment	5,085,785	Budget based on percentage of projected revenues
Community Grant and Other SUD Grants	15,947,361	Budget based on DHHS allocations
PA2 Liquor Tax SUD	4,506,627	Budget based on OPB approved amounts
Local Match Contribution	2,345,532	Budget based on FY2022 amount; FY2023 amount not available at time of budget development
Interest Income	20,000	
Other Grants	864,184	Budget includes Veteran Navigator, Clubhouse Engagement, and CCBHC grants
Other Income	58,800	Supports Intensity Scale (SIS) Assessments
<b>TOTAL REVENUE BUDGET</b>	<b>\$ 799,575,716</b>	

# MSHN PIHP Administrative Expenses

- ▶ FY 2023 MSHN administrative expenses are projected to increase \$1.89 Million from the FY 2022 Amended Budget. The majority of this increase relates to adding back previously approved positions that were not filled in that year. In addition, a 5% Cost Of Living Adjustment (COLA) for staff is included, which is in line with CMHSP COLA-related increases. By policy, MSHN performs a market analysis every three years to evaluate its salary scale and will do so in FY 23 for implementation in FY 24. This COLA increase will be taken into account for future adjustments.
- ▶ FY 2023 Overall administrative budget represents 1.30% of total expenses or a .26% increase from FY 2022 Amended Budget. Historically, MSHN admin has remained less than 1.55% of total expenses for the original budgets

FY 18	FY 19	FY 20	FY 21	FY 22
1.18%	1.42%	1.52%	1.42%	1.47%

- ▶ Projected staff increase of 10 positions to meet MDHHS other administrative requirements for the following nine (9) positions were previously approved and are being carried forward:
  - ▶ Five (5) Waiver positions to fulfill annual eligibility for 1915 iSPA services, Childrens Waiver, and Severe and Emotional Disturbances (SED) Waiver.
  - ▶ Remaining four (4) positions will support the following functions and initiatives:
    - ▶ Lead Treatment Specialist: SUD Treatment Operations
    - ▶ Compliance Manager: Compliance investigations, OIG reporting, external and internal audits
    - ▶ Integrated Healthcare Coordinator: Opioid Health Home (OHH), Behavioral Health Home (BHH) and Certified Community Behavioral Health Centers (CCBHC)
    - ▶ Financial Specialist: Support OHH, BHH, and CCBHC reporting

# Budget Development

## PIHP ADMINISTRATIVE EXPENSES - continued

- ▶ Expense development includes:
  - ▶ 1 - 2% increase for employee benefits (employer and employee portions). In addition, a third plan with zero cost to employees was offered which included a higher copay/deductible
  - ▶ Prior year trending for general expenses (Please note: Payroll and Human Resources Processing Costs from MSHN's Professional Employment Organization (PEO) are unchanged for FY 23)
  - ▶ Consultation needs derived from Strategic Plan initiatives and MDHHS Contract requirements
  - ▶ Technology needs
  - ▶ Conferences and training needs
  - ▶ Other items identified in staff interviews/meetings

CATEGORY	AMOUNTS	DESCRIPTION
Salaries and Wages	\$ 5,336,253	Includes additional staff related to increased PIHP responsibilities
Employee Benefits	1,980,550	Additional staff
Other Contractual Agreements	439,350	Includes contract costs such as, but not limited to, IT and finance support services and SIS oversight
IS Subscriptions and Maintenance	960,400	Includes software costs such as, but not limited to, care coordination, data analytics, document sharing, managed care, Microsoft Office, parity
Consulting Services	205,000	Includes allowance for additional consulting services
Conference and Training Expense	125,850	Additional staff, in-person conferences
Human Resources Fees	63,600	Additional staff
Mileage Reimbursement	86,875	Return to in-person activities
Other Expenses	169,200	
Building Rent	56,646	
Telephone Expense	75,780	Additional staff
Office Supplies	27,450	
Printing Expense	57,500	
Meeting Expense	34,325	Return to in-person activities
Liability Insurance	36,705	
Depreciation Expense	50,397	
Audit Services	35,500	
OPB and Council Per Diems	18,060	
Dues and Memberships	6,700	
Legal Services	5,000	
Equipment Rent	5,100	
Internet Services	3,000	
Subtotal Administration	\$ 9,779,241	

# Budget Development

## EXPENSE FIGURES

- ▶ Community Mental Health Services Programs (CMHSPs) - Expense numbers submitted by several CMHSPs are in excess of projected revenue. MSHN encouraged CMHSPs to report expenses needed to address ongoing state-wide concerns in the following areas:
  - ▶ Staff Retention
  - ▶ Staff Attraction
  - ▶ Temporary Payment Adjustments
  - ▶ Provider Stabilization - Utilization Issues
- ▶ Substance Abuse Prevention and Treatment (SAPT) providers - Expense amounts based on prior year utilization or negotiated contract/cost reimbursement funding levels. In addition, the spending projections include a 10% regional rate increase for the same concerns noted in the CMHSP section. MSHN's SAPT revenue is sufficient to cover provider expenses including a 10% rate increase and a portion of its admin costs.
- ▶ MSHN's region has aggressively implemented fiscal stabilization strategies within its provider networks while also introducing incentives to address internal staffing retention. **We acknowledge and understand consumer care is at risk if we do not take measures noted.**

# Budget Development

## EXPENSE FIGURES

- ▶ Community Mental Health Services Programs (CMHSPs)
- ▶ Substance Abuse Prevention and Treatment (SAPT) providers

CATEGORY	AMOUNTS	DESCRIPTION
CMHSP Participant Medicaid	\$ 536,268,828	Budget based on CMHSP FY2023 budgeted expenses
CMHSP Participant Healthy Michigan Plan	55,438,840	
CMHSP Participant Medicaid Autism	58,524,426	
CMHSP Participant Other	6,146,912	Budget includes Performance Bonus Incentive Payments and Clubhouse Engagement and CCBHC grants
SUD Medicaid Contracts	13,864,740	Budget based on projected utilization and reimbursement rate increases
SUD Healthy Michigan Plan Contracts	25,725,000	
Community Grant and Other SUD Grants	15,062,361	Budget based on projected utilization, reimbursement rate increases, and utilization of other SUD grants
SUD PA2 Liquor Tax	4,506,627	Budget based on OPB approved amounts
Hospital Rate Adjustor	18,110,400	Budget based on potential inpatient utilization increase
Tax Insurance Provider Assessment	6,371,863	Budget based on annual assessment
Tax Local Match Contribution	2,345,532	Budget based on FY2022 amount; FY2023 amount not available at time of budget development
Subtotal CMHSP and SUD Expenses and Taxes	\$ 742,365,529	

# FY 2023 Regional Budget Summary

Revenue		
Category	Amount	% of Total
Behavioral Health	\$ 736,915,088	92.16%
SAPT	\$ 61,776,444	7.73%
Other	\$ 884,184	0.11%
<b>Total</b>	<b>\$ 799,575,716</b>	<b>100.00%</b>

Expense		
Category	Amount	% of Total
Behavioral Health	\$ 656,379,006	87.27%
SAPT	\$ 59,158,728	7.87%
Taxes	\$ 26,827,795	3.57%
Admin	\$ 9,779,241	1.30%
<b>Total</b>	<b>\$ 752,144,770</b>	<b>100.00%</b>

**FY 23 Rev over Exp \$47,430,946; FY 23 Internal Service Fund (ISF) Projection \$50,991,169 (Represents fully funded ISF)**



# Savings and ISF Breakdown

RECAP OF SURPLUS		
Column Heading	Column Description	Column Amount
A	Medicaid Surplus plus ISF Abatement (47,430,946 + 2,957,314)	50,388,260
B	Total Medicaid Revenue	679,882,251
C = B * 5%	Savings (Tier 1) 5%	33,994,113
D = A - C	Rem. of Anticipated Surplus	16,394,147
E = D/2	Savings (Tier 2)	8,197,074
<b>F = C + E</b>	<b>Potential Savings</b>	<b>42,191,186</b>
<b>G = E</b>	<b>Potential Lapse to MDHHS</b>	<b>8,197,074</b>
INTERNAL SERVICE FUND SUMMARY		Total
FY2023 Beginning Balance		53,948,483
FY2023 ISF Contribution (Abatement)		(2,957,314)
<b>Total Estimated Ending FY2023 ISF Balance</b>		<b>50,991,169</b>
Allowable Funding Based on Proportion of Revenue		50,991,169
Estimated Ending FY2023 ISF Balance		50,991,169