

FY 21 BLOCK GRANT EXPENDITURE REDUCTION PLAN

Mid-State Health Network
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FY 21 Block Grant (“Community Grant”) Reduction - Causes

- ▶ On October 26, 2020 Mid-State Health Network (MSHN) was notified by the Michigan Department of Health and Human Services (MDHHS) Office of Recovery Oriented Systems of Care (OROSC) of a permanent SUD block grant funding reduction for of ~38% overall - nearly \$4.6M reduction.
- ▶ MSHN’s understanding is that this permanent reduction was caused by*:
 - ▶ Excess of block grant funds when the Healthy Michigan Plan covered more individuals that had been covered previously by block grant.
 - ▶ These excess funds (unspent prior year savings) were allocated to grantees, including PIHPs.
 - ▶ Newly increased demand for services by individuals not covered by Medicaid or Healthy Michigan Plan.
 - ▶ Prior year savings now exhausted and OROSC must allocate to grantees within the current year revenue of the SUD block grant.

* MSHN provided MDHHS/OROSC with at least two opportunities to review and comment on our understandings for accuracy. No response was received.

FY 21 Block Grant (“Community Grant”) Reduction - Problem

- ▶ OROSC block grant allocation to the MSHN region was reduced to \$8,650,219
- ▶ For the Fiscal Year that began October 1, 2020, (prior to knowledge of the required reductions) MSHN block grant budgeted/obligated expenses were \$13,280,058.
- ▶ The resulting MSHN regional block grant deficit is \$4,629,839

BLOCK GRANT FUNDING	
A. FY 21 Budgeted/Projected Block Grant Expenses	13,280,058
B. Reduced MDHHS allocation	8,650,219
C. Target Block Grant Reduction Subtotal (A-B)	4,629,839

FY 21 Block Grant (“Community Grant”) Reduction - Other Funding

- ▶ OROSC has increased State Opioid Response (SOR) funding to help offset block grant revenue reductions and increased funding flexibility under the SOR grant parameters
 - ▶ BUT, federal requirements for the SOR grants apply, including restrictions to only certain populations and for certain purposes.
 - ▶ This means that there is no ability to use SOR funding as a 1-to-1 offset for block grant (“community grant”) reductions.
- ▶ An important consideration in transferring some block grant funded costs to the SOR grants is that they, too, will expire and when they do, we are faced with the same issue of insufficient funds to cover the programming/expense.
- ▶ MSHN anticipates sufficient fiscal year 2021 Medicaid and Healthy Michigan Program funding to meet all of its current obligations to provide medically necessary treatment services and supports to covered beneficiaries. MSHN cannot use Medicaid/HMP funding to offset block grant funded services and supports.
- ▶ Block grant services and supports are not treatment entitlements and MSHN must operate within available resources. Although prevention services are earmarked for a minimum of 20% of block grant funding, the reduction of MSHN’s overall block grant funding also affects prevention services.
- ▶ Other than PA2 (“Liquor Tax”), MSHN has no other available funding that could be used to offset permanent block grant revenue reductions (more on this later in this presentation).

FY 21 Block Grant (“Community Grant”) Reduction - Fund Source Transfers

- ▶ MSHN is forced to make expenditure reductions to align with OROSC-provided SUD Block Grant Revenue
- ▶ MSHN has already identified programming/expenditures that are currently supported with Block (Community) Grant funds for transfer to other fund sources (SOR in particular).

Strategy	Impact
Shift applicable Project Assert programming costs to SOR	68,886
Shift applicable recovery housing specific costs to SOR	402,500
Shift applicable prevention-specific programming costs to SOR	234,525
TOTAL Transfers to SOR	\$ 705,911

- ▶ These funding shifts should not affect provider operations unless there are regulatory requirements that need to be addressed.
- ▶ Remember: Funding that shifts from one reduced source (block grant) to another source (SOR) that will expire at some point in the future delays action to reduce expenditures for those programs/services to a future period necessitating sustainability planning and actions NOW.

FY 21 Block Grant (“Community Grant”) Reduction - Treatment/Recovery Services

Clearly, additional reductions are required to meet the revenue/expense balance target.

In the following portion of this presentation, all providers affected have already been notified.

- ▶ **Cost Avoidance:** MSHN will not support, with block grant funds, any new provider initiatives or provider expansion initiatives. MSHN will suspend any activity in our regional SUD strategic plan that require expenditure of block grant funds
- ▶ MSHN has developed and will implement a block grant – specific benefit plan, effective 01/01/21, which is expected to reduce block grant expenditures by \$1,650,000
 - MSHN will host several webinars for treatment/recovery provider staff to walk through the details of benefit plan changes and related expectations.
 - Frequency of Utilization Review is more frequent and should:
 - Confirm continuing eligibility
 - Confirm medical necessity
 - Lead to earlier discharges or fewer authorized services and
 - Confirm actions are being taken to assist beneficiaries in applying for Medicaid or Healthy Michigan Plan
 - Establishes limits on number of episode per year for non-priority populations
 - Establishes service maximums across levels of care for non-priority populations
 - Includes savings from revised beneficiary co-pay schedule

IMPORTANT NOTE - MSHN will conduct related webinars at on 12/21 from 10-11 AM and 12/30 from 10-11 AM for members of provider staffs to better understand these details. Sessions will be recorded and available for viewing by those that cannot participate at the scheduled times. See our weekly “Constant Contact” messaging for registration details.

FY 21 Block Grant (“Community Grant”) Reduction - Treatment/Recovery Services

Additional block grant reduction strategies	Impact
25% Reduction in room and board payments to residentially-based providers	\$ 460,016
25% Reduction in recovery housing reimbursement (Note: Recovery Housing is not a required benefit and not all regions offer recovery housing services)	\$ 238,252
Restricting access to services to regional residents only	\$ 75,393
Provider-Specific targeted reductions (estimate)	\$74,042
Targeted reductions to community recovery programs	\$99,700
Project Specific Reductions (Project Assert & FQHC Supports)	\$64,500
Non-Quantifiable Impacts Expected: <ul style="list-style-type: none"> • COVID-19 related utilization decreases • Increase in Medicaid/HMP eligibility due to efforts by providers to get as many people qualified as possible (see Slide 6) • Admin Reductions and Future Actions (variable, as costs are allocated as a percentage and will automatically be reduced as reductions are implemented) 	150,000
Total Current Treatment/Recovery Reductions (including transfers to SOR) <i>(Including 1,650,000 in benefit plan reductions and \$471,386 in transfers to SOR from previous slide 6 and 5 respectively)</i>	\$3,283,289

FY 21 Block Grant (“Community Grant”) Reduction - Prevention

- Affected prevention providers have either proposed a reduction in block grant support or have had a conversation with MSHN about MSHN-identified/planned reductions

Additional block grant reduction strategies	Impact
Cost avoidance: MSHN will not support, <i>with block grant funds</i> , any new provider initiatives or provider expansion initiatives. MSHN will suspend any activity in our regional SUD strategic plan that require expenditure of block grant funds	0
Reduction of provider-specific program costs (Reductions are either provider identified or MSHN identified)	\$ 487,417
Shift applicable prevention-specific programming costs to SOR (from slide 5)	\$ 234,525
Total Current Prevention Reductions	721,942

FY 21 Block Grant (“Community Grant”) Reduction - Summary

Action	Impact
Planned Treatment/Recovery Transfers and Reductions (Slide 7)	\$ 3,283,289
Planned Prevention Transfers and Reductions Total (Slide 8)	\$ 721,942
TOTAL PLANNED TRANSFERS AND BLOCK GRANT REDUCTIONS TOTAL	\$ 4,005,234
Target Block Grant Reduction	\$4,629,839
Remaining Revenue/Expense Gap (Block grant deficit)	\$ (624,608)

Future reductions include ‘automatic’ admin allocation reductions projected to be about 111,000, other non-quantifiable impacts noted above, and other impacts that may result from the announced transfers/reductions.

FY 21 Block Grant (“Community Grant”) Reduction - Revenue Gap/Expenditure Failsafes

FAILSAFES	PROJECTED NEED
<p><u>First Line of Failsafe:</u> MSHN will request commitment of up to 25% of available PA2 (Liquor Tax) from the Oversight Policy Board AT A FUTURE DATE to support block grant over-expenditures resulting from insufficient or ineffective reductions and unanticipated expenditures</p>	<p>~ESTIMATE ~ UP TO \$ 2,444,543.35</p>
<p><u>Second Line of Failsafe:</u> If necessary, MSHN will develop a proposal for Operations Council and MSHN Board Support to allocate a currently undetermined portion of MSHN-earned Performance Bonus Incentive Funds (now provided to CMHSPs as restricted local as required under MSHN Operating Agreement). Estimate not developed.</p>	<p>\$ 0.00</p>

FY 21 Block Grant (“Community Grant”) Reduction - Conclusion

- ▶ Where applicable, MSHN has utilized the availability of State Opioid Response (SOR) funding to offset as much of the block grant reduction as possible. MSHN will continue to seek and secure authorization for transfers to other fund sources or to see other revenue supports.
- ▶ MSHN is aware that these reductions could come at no worse a time: amid the COVID-19 pandemic response, uninsured and otherwise needy individuals, their families and communities are experiencing increased levels of substance abuse, interpersonal violence, food, income and housing insecurities and many other issues we are here to help with.
- ▶ We are asking all programs to work with individuals that are not covered by Medicaid/Healthy Michigan Plan to apply and get qualified for these programs.
- ▶ MSHN will advocate for and seek replacement funding to offset these reductions.

FY 21 Block Grant (“Community Grant”) Reduction - A personal message from the MSHN Team

This shouldn't matter to you, but on behalf of our agency, I want to say how deeply troubled – pained – the MSHN staff and I are to have to consider, plan, describe and implement what we know are devastating financial, programmatic and service impacts on individuals, their families, communities and providers. MSHN did not create this problem. MSHN is deeply committed to service. To supports. To community betterment. To prevention. To recovery. To ensuring access to services and supports for all individuals, their families and their communities so that better health, better care and better equity is achieved.

We have done our best to identify and initiate plans to reduce block grant funded support.

If you or your colleagues have alternative suggestions for spending reductions, we most certainly want to hear from you. Please contact us with your ideas, criticisms (but please have a remedy in mind), and suggestions.

We remain your partner – in good times and, unfortunately now, in bad times - as related to block grant funded services and supports. I can be reached by calling 517-657-3036 or by email at joseph.Sedlock@midstatehealthnetwork.org.

On behalf of the MSHN team, thank you for your partnership in good times - and in bad.

Questions, Comments and Concerns?

